As filed with the Securities and Exchange Commission on September 1, 2000
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

RESOURCES CONNECTION, INC.
(Exact name of Registrant as specified in its charter)

Delaware	8742	33-0832424
(State or other jurisdiction of Incorporation)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

695 Town Center Drive, Suite 600
Costa Mesa, California 92626
(714) 430-6400
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Donald B. Murray
Chief Executive Officer
Resources Connection, Inc.
695 Town Center Drive, Suite 600
Costa Mesa, California 92626
(714) 430-6400
(Name, address, including zip code, and telephone number, including area code, of agents for service)

Copies To:

David A. Krinsky Charlotte L. Bischel O'Melveny & Myers LLP 610 Newport Center Drive, Suite 1700 Newport Beach, California 92660 (949) 760-9600	Patrick T. Seaver Shayne Kennedy Latham & Watkins 650 Town Center Drive, Suite 2000 Costa Mesa, California 92626-1918 (714) 540-1235

Approximate date of commencement of proposed sale to the public:

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act") 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, 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, check the following box. [_]

CALCULATION OF REGISTRATION FEE

Title of Securities To be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock ($0.01 par value).....	$103,500,000	$27,324

(1) Includes shares that the underwriters will have the option to purchase solely to cover over-allotments, if any.

(2) Estimated solely for the purpose of determining the registration fee pursuant to Rule 457(o) under the Securities Act.

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 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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+The information in this prospectus is not complete and may be changed. We may +
+not sell these securities until the registration statement filed with the   +
+Securities and Exchange Commission is effective. This prospectus is not an   +
+offer to sell these securities and it is not soliciting an offer to buy these +
+securities in any state where the offer or sale is not permitted.   +
+++

SUBJECT TO COMPLETION, DATED SEPTEMBER 1, 2000

[ ] Shares

[LOGO OF RESOURCES CONNECTION]

Common Stock

Prior to this offering, there has been no public market for our common stock. The initial public offering price of our common stock is expected to be between $ and $ per share. We have applied to list our common stock on The Nasdaq Stock Market's National Market under the symbol "RECN".

We are selling shares of our common stock and the selling stockholders are selling shares of our common stock. We will not receive any of the proceeds from the shares of common stock sold by the selling stockholders.

The underwriters have an option to purchase a maximum of additional shares from the selling stockholders to cover over-allotments of shares.

Investing in our common stock involves risks. See "Risk Factors" on page 8.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Resources Connection	Proceeds to Selling Stockholders
Per Share				
Total				

Delivery of the shares of common stock will be made on or about , 2000.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Lead and Book-Running Managers

Credit Suisse First Boston Deutsche Banc Alex. Brown

Robert W. Baird & Co.

The date of this prospectus is , 2000.

[inside front cover]

[small logo]

Resources Connection, Inc. is a leading professional services firm that provides experienced accounting and finance, human capital management and information technology professionals to clients on a project-by-project basis.

[bar graph showing revenue growth in fiscal 1997, 1998, 1999 and 2000]

[bar graph showing EBITDA in fiscal 1997, 1998, 1999 and 2000]

THE PROFESSIONAL SERVICES FIRM OF THE FUTURE

[bar graph showing associate growth in fiscal 1997, 1998, 1999 and 2000]

[bar graph showing location growth in fiscal 1997, 1998, 1999 and 2000]

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Dealer Prospectus Delivery Obligation

Until (25 days after commencement of the offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before buying shares in this offering. You should read the entire prospectus carefully. References in this prospectus to "Resources Connection," "company," "we," "us" and "our" refer to the business of Resources Connection LLC for all periods prior to the sale of Resources Connection LLC by Deloitte & Touche LLP, and to Resources Connection, Inc. and its subsidiaries for all periods after the sale. References to "Deloitte & Touche" refer to Deloitte & Touche LLP. References in this prospectus to "fiscal," "year" or "fiscal year" refer to our fiscal years that consist of the 52- or 53-week period ending on the Saturday closest to May 31st.

Overview

Resources Connection, Inc. is a leading professional services firm that provides experienced accounting and finance, human capital management and information technology professionals to clients on a project-by-project basis. We assist our clients with discrete projects requiring specialized professional expertise such as mergers and acquisitions due diligence, transitions of management information systems, financial analyses (e.g., product costing and margin analyses), tax-related projects, and compensation program design and implementation. We also assist our clients with periodic needs such as budgeting and forecasting, audit preparation and public reporting.

We were founded in 1996 and operated as an independent subsidiary of Deloitte & Touche until April 1999, when we completed a management-led buyout. Since our inception, we have opened 35 offices in the United States and 3 offices abroad and have established a growing and diverse client base of over 1,500 clients, including 43 of the Fortune 100, 15 of the Fortune e50 Index and three of the Big Five accounting firms. We have grown revenues internally from $9.3 million in fiscal 1997 to $126.3 million in fiscal 2000, a three-year compounded annual growth rate, or CAGR, of 138%. Over the same period, we have increased our earnings before interest, income taxes, depreciation and amortization, or EBITDA, from $878,000 to $18.1 million. We have been profitable every year since our inception.

Our management team, virtually all of whom have Big Five experience, has created a culture that combines the commitment to quality and client-service focus of a Big Five accounting firm with the entrepreneurial energy of an innovative, high-growth company. Because of this culture, we believe we have been able to attract and retain highly-qualified experienced associates, which, in turn, is a significant component of our success. We employ more than 1,050 associates on assignment, who have an average of 18 years of professional experience in a wide range of industries and functional areas; approximately 50% of our associates are CPAs and approximately 28% have MBAs. We offer our associates careers that combine many of the advantages of working for a traditional professional services firm with the flexibility of project-based work. We provide our associates with challenging work assignments, competitive compensation and benefits, and continuing education and training opportunities, while offering flexible work schedules and more control over choosing client engagements.

Our founders created Resources Connection to capitalize on the increasing demand for high-quality, outsourced professional services and to address the needs of companies that are not adequately met by traditional professional services providers. These providers, which include consulting firms, loaned employees of Big Five accounting firms, and traditional and Internet-based staffing firms, offer services which may require a company to make compromises in terms of quality, cost or internal resource allocation. We believe that we provide our clients with superior service and a value proposition which differentiates us from our competitors because we are able to combine all of the following:

- a relationship-oriented approach to better assess our clients' project needs;
- highly-qualified professionals with the requisite skills and experience;

- competitive rates on an hourly, instead of a per project, basis; and

- greater client control over their projects.

Market Opportunity

The outsourcing of professionals, according to Staffing Industry Analysts, Inc., is one of the fastest growing segments of the industry for outsourcing employees, with revenues estimated to grow from $9.1 billion in 1999 to $14.4 billion in 2001, representing a CAGR of 25.8%. Accounting and finance professionals are estimated to account for approximately half of this segment.

This growth is driven by the recognition that companies can strategically access specialized skills and expertise and increase labor flexibility by outsourcing their professional services. At the same time, we believe many professionals are embracing project-based careers because of the more flexible hours and work arrangements, and the opportunity for skill development that they provide. Resources Connection is positioned to capitalize on the confluence of these industry trends by providing clients with high-quality, project-based professional assistance and by offering professionals rewarding, flexible careers.

Growth Strategy

We believe we have significant opportunity for continued strong internal growth in our core business; however, we will also evaluate potential strategic acquisitions on an opportunistic basis. Our objective is to be the leading provider of project-based professional services by:

- capturing more of our clients' total outsourced professional services expenditures;

- adding additional clients in a broad range of industries;

- expanding our presence both in the United States and internationally; and

- providing additional professional services lines to meet our clients' project-based needs.

Our Company

Resources Connection was founded as a division of Deloitte & Touche in June 1996, and from January 1997 until April 1999, operated the company as Resources Connection LLC, a Delaware limited liability company and a wholly-owned subsidiary of Deloitte & Touche. In November 1998, our management formed RC Transaction Corp., a Delaware corporation, to raise capital for an intended management-led buyout of Resources Connection LLC. The management-led buyout was consummated in April 1999 and, since that time, RC Transaction Corp., renamed Resources Connection, Inc. in August 2000, has owned all of the membership units of Resources Connection LLC. Resources Connection is an independent company which is no longer affiliated with Deloitte & Touche. Our business is operated primarily through Resources Connection LLC. Our principal executive offices are located at 695 Town Center Drive, Suite 600, Costa Mesa, California 92626. Our telephone number is (714) 430-6400. Our website is http://www.resourcesconnection.com. We do not intend the information found on our website to be a part of this prospectus.

The Offering

Common stock offered by:	
Resources Connection, Inc.	shares
Selling stockholders	shares
Total	shares
Common stock to be outstanding after the offering	shares
Use of proceeds	Repay senior and subordinated debt, fund growth, provide working capital and for other general corporate purposes. See "Use of Proceeds."
Nasdaq National Market symbol	RECN

Common stock to be outstanding after this offering is based on 15,630,000 shares of common stock outstanding as of August 26, 2000. It does not include:

- 2,129,000 shares of common stock issuable on the exercise of stock options outstanding as of August 26, 2000; and
- 211,000 shares of common stock reserved for issuance under the Resources Connection, Inc. 1999 Long-Term Incentive Plan, or the 1999 Long-Term Incentive Plan, as of August 26, 2000.

Except as otherwise indicated, all of the information in this prospectus:

- reflects the conversion of each outstanding share of Class B Common Stock and Class C Common Stock into 144,740 shares of Common Stock at the closing of this offering; and
- assumes no exercise of the underwriters' over-allotment option.

Summary Consolidated Financial Information

The following table summarizes our consolidated financial data. You should read the summary financial data below in conjunction with our consolidated financial statements and related notes beginning on page F-1 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing on page 21. Resources Connection commenced operations on June 1, 1996. The consolidated statements of income data for the years ended May 31, 1997 and 1998 were derived from the financial statements of our wholly-owned subsidiary, Resources Connection LLC. After forming Resources Connection, Inc. on November 16, 1998, we completed the acquisition of Resources Connection LLC on April 1, 1999. The information for the year ended May 31, 1999 presents the combined operating data of Resources Connection LLC for the period from June 1, 1998 to March 31, 1999 and Resources Connection, Inc. for the period from November 16, 1998 to May 31, 1999. Such information is presented in order to facilitate comparison of results between years. The historical results presented are not necessarily indicative of future results. The pro forma as adjusted balance sheet data reflect our sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts, commissions and offering expenses.

	Resources Connection LLC		Resources Connection, Inc. and Resources Connection LLC Combined	Resources Connection, Inc.
	Year Ended May 31, 1997	Year Ended May 31, 1998	Year Ended May 31, 1999	Year Ended May 31, 2000
	(unaudited) (dollar amounts in thousands, except per share data)			
Consolidated Statements of Income Data:				
Revenue	$9,331	$29,508	$70,822	$126,332
Direct cost of services	5,367	16,671	39,871	73,541
Gross profit	3,964	12,837	30,951	52,791
Selling, general and administrative expenses	3,086	9,035	21,345	34,649
Amortization of intangible assets	--	--	371	2,231
Depreciation expense	9	79	148	284
Income from operations	869	3,723	9,087	15,627
Interest expense	--	--	734	4,717
Income before provision for income taxes	869	3,723	8,353	10,910
Provision for income taxes (1)	348	1,489	3,363	4,364
Net income (1)	$ 521	$ 2,234	$ 4,990	$ 6,546
Net income per share:				
Basic				$ 0.42
Diluted				$ 0.42
Number of shares used in computing net income per share:				
Basic				15,630
Diluted				15,714
Other Data:				
EBITDA (2)	$ 878	$ 3,802	$ 9,606	$ 18,142
Number of offices open at end of year	9	18	28	35
Total number of associates on assignment at end of year	127	326	697	1,056

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(1) As a limited liability company, income taxes on any income realized by Resources Connection LLC were the obligation of its members and, accordingly, no provision for income taxes was recorded by Resources Connection LLC. Pro forma net income has been computed for periods through May 31, 1999, as if Resources Connection LLC had been fully subject to federal and state income taxes as a C corporation.

(2) "EBITDA" represents earnings before interest, income taxes, depreciation and amortization. EBITDA is presented here to provide additional information about our operations and should not be construed as a better indicator of operating performance than income from operations as determined in accordance with generally accepted accounting principles, or GAAP, or a better indicator of liquidity than cash flow from operating activities as determined in accordance with GAAP.

	May 31, 2000	
	Actual	Pro Forma As Adjusted
Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 4,490	
Working capital	9,932	
Total assets	70,106	
Long-term debt, including current portion	41,771	
Stockholders' equity	17,185	

RISK FACTORS

You should carefully consider the risks described below before making a decision to buy our common stock. If any of the following risks actually occurs, our business could be harmed. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. When determining whether to buy our common stock you should also refer to the other information in this prospectus, including our financial statements and the related notes.

Risks Related to Our Business

We must provide our clients with highly qualified and experienced associates, and the loss of a significant number of our associates, or an inability to attract and retain new associates, could adversely affect our business and operating results.

Our business involves the delivery of professional services, and our success depends on our ability to provide our clients with highly qualified and experienced associates who possess the skills and experience necessary to satisfy their needs. Such professionals are in great demand, particularly in certain geographic areas, and are likely to remain a limited resource for the foreseeable future. Our ability to attract and retain associates with the requisite experience and skills depends on several factors including, but not limited to, our ability to:

- provide our associates with full-time employment;
- obtain the type of challenging and high-quality projects which our associates seek;
- pay competitive compensation and provide competitive benefits; and
- provide our associates with flexibility as to hours worked and assignment of client engagements.

We cannot assure you that we will be successful in accomplishing each of these items and, even if we are, that we will be successful in attracting and retaining the number of highly qualified and experienced associates necessary to maintain and grow our business.

The market for professional services is highly competitive, and if we are unable to compete effectively against our competitors our business and operating results could be adversely affected.

We operate in a competitive, fragmented market, and we compete for clients and associates with a variety of organizations that offer similar services. The competition is likely to increase in the future due to the expected growth of the market and the relatively few barriers to entry. Our principal competitors include:

- consulting firms;
- employees loaned by the Big Five accounting firms;
- traditional and Internet-based staffing firms; and
- the in-house resources of our clients.

We cannot assure you that we will be able to compete effectively against existing or future competitors. Many of our competitors have significantly greater financial resources, greater revenues and greater name recognition, which may afford them an advantage in attracting and retaining clients and associates. In addition, our competitors may be able to respond more quickly to changes in companies' needs and developments in the professional services industry.

An economic downturn or change in the use of outsourced professional services associates could adversely affect our business.

We have not been in business during an economic downturn and our business may be significantly affected if there is an economic downturn in the future. If the general level of economic activity slows, our clients may

delay or cancel plans that involve professional services, particularly outsourced professional services. Consequently, the demand for our associates could decline, resulting in a loss of revenues. In addition, the use of professional services associates on a project-by-project basis could decline for non-economic reasons. In the event of a non-economic reduction in the demand for our associates, our financial results could suffer.

Our business depends upon our ability to secure new projects from clients and, therefore, we could be adversely affected if we fail to do so.

We do not have long-term agreements with our clients for the provision of services. The success of our business is dependent on our ability to secure new projects from clients. For example, if we are unable to secure new client projects because of improvements in our competitors' service offerings or because of an economic downturn decreasing the demand for outsourced professional services, our business is likely to be materially adversely affected.

We may be unable to adequately protect our intellectual property rights, including our brand name. If we fail to adequately protect our intellectual property rights, the value of such rights may diminish and our results of operations and financial condition may be adversely affected.

We believe that establishing, maintaining and enhancing the Resources Connection brand name is essential to our business. We have filed an application for a United States trademark registration for "Resources Connection" and an application for service mark registration of our name and logo. We may be unable to secure either registration. We are aware of other companies using the name "Resources Connection" or some variation thereof. There could be potential trade name or trademark infringement claims brought against us by the users of these similar names or trademarks, and those users may have trademark rights that are senior to ours. If an infringement suit were to be brought against us, the cost of defending such a suit could be substantial. If the suit were successful, we could be forced to cease using the service mark "Resources Connection." Even if an infringement claim is not brought against us, it is also possible that our competitors or others will adopt service names similar to ours or that our clients will be confused by another company using a name or trademark similar to ours, thereby impeding our ability to build brand identity. We cannot assure you that our business would not be adversely affected if confusion did occur or if we are required to change our name.

We may be legally liable for damages resulting from the performance of projects by our associates or for our clients' mistreatment of our associates.

Many of our engagements with our clients involve projects that are critical to our clients' businesses. If we fail to meet our contractual obligations, we could be subject to legal liability or damage to our reputation, which could adversely affect our business, operating results and financial condition. Our agreements with our clients typically contain provisions designed to limit our exposure to legal claims relating to our services, including limitations of liability and exclusions of express or implied warranties, consequential damages and other remedies. However, it is possible that some or all of these provisions may not protect us or may not be enforceable under some circumstances or under the laws of some jurisdictions. It is likely, because of the nature of our business, that we will be sued in the future. Claims brought against us could have a serious negative effect on our reputation and on our business, financial condition and results of operations.

Because we are in the business of placing our associates in the workplaces of other companies, we are subject to possible claims by our associates alleging discrimination, sexual harassment, negligence and other similar activities by our clients. The cost of defending such claims, even if groundless, could be substantial and the associated negative publicity could adversely affect our ability to attract and retain associates and clients.

We may not be able to grow our business, manage our growth or sustain our current business.

We have grown rapidly since our inception in 1996 by opening new offices and by increasing the volume of services we provide through existing offices. There can be no assurance that we will continue to be able to

maintain or expand our market presence in our current locations or to successfully enter other markets or locations. Our ability to successfully grow our business will depend upon a number of factors, including our ability to:

- compete with existing and future competitors;
- expand work from our existing clients;
- grow our client base;
- expand profitably into new cities;
- provide additional professional services lines;
- maintain margins in the face of pricing pressures;
- attract and retain qualified associates and management personnel; and
- manage costs.

Even if we are able to continue our growth, the growth will result in new and increased responsibilities for our management as well as increased demands on our internal systems, procedures and controls, and our administrative, financial, marketing and other resources. These new responsibilities and demands may adversely affect our business, financial condition and results of operation.

An increase in our international activities will expose us to additional operational challenges that we might not otherwise face.

As we increase our international activities, we will have to confront and manage a number of risks and expenses that we would not otherwise face if we conducted our operations solely in the United States. If any of these risks or expenses occur, there could be a material negative effect on our operating results. These risks and expenses include:

- difficulties in staffing and managing foreign offices as a result of, among other things, distance, language and cultural differences;
- expenses associated with customizing our professional services for clients in foreign countries;
- foreign currency exchange rate fluctuations, when we sell our professional services in denominations other than U.S. dollars;
- protectionist laws and business practices that favor local companies;
- political and economic instability in some international markets;
- multiple, conflicting and changing government laws and regulations;
- trade barriers;
- reduced protection for intellectual property rights in some countries; and
- potentially adverse tax consequences.

We may acquire companies in the future, and these acquisitions could disrupt our business.

We may acquire companies in the future. Entering into an acquisition entails many risks, any of which could harm our business, including:

- diversion of management's attention from other business concerns;
- failure to integrate the acquired company with our existing business;

- failure to motivate, or loss of, key employees from either our existing business or the acquired business;
- potential impairment of relationships with our employees and clients;
- additional operating expenses not offset by additional revenue;
- incurrence of significant non-recurring charges;
- incurrence of additional debt with restrictive covenants or other limitations;
- dilution of our stock as a result of issuing equity securities; and
- assumption of liabilities of the acquired company.

We have a limited operating history as an independent company.

We commenced operations in June 1996 as a division of Deloitte & Touche. From January 1997 through April 1999, we operated as a wholly-owned subsidiary of Deloitte & Touche. In April 1999, we were sold by Deloitte & Touche. Therefore, our business as an independent company has a limited operating history. Consequently, the historical and pro forma information contained herein may not be indicative of our future financial condition and performance.

The loss of our association with Deloitte & Touche could reduce our ability to attract and retain associates and clients and will require us to enhance our infrastructure and local networks.

Our association with Deloitte & Touche, from our inception in June 1996 until April 1999, helped establish us as a high-quality professional services company and contributed to our ability to open, integrate, and establish a presence in new office locations. Apart from certain transition assistance, which ends no later than November 2000, and our joint venture with Deloitte & Touche Taiwan, which is not owned or controlled by Deloitte & Touche, since April 1999 our contact with Deloitte & Touche has been reduced to the services we provide it. The loss of our association with Deloitte & Touche may adversely affect our business and our ability to attract new clients, keep existing clients and hire and retain qualified associates. We face the challenges of developing a presence in areas where we establish new offices and integrating new office locations so that they are fully operational and functional without the infrastructure previously provided by Deloitte & Touche.

Our business could suffer if we lose the services of a key member of our management.

Our future success depends upon the continued employment of certain of our senior management professionals, particularly Donald B. Murray, our chief executive officer. While we have signed employment agreements with four of our six senior management professionals, including Mr. Murray, these agreements are terminable under certain circumstances. We do not have employment agreements with the other two members of our management team. The loss of the services of any of the members of our management team could have a material adverse effect upon our business, financial condition and results of operations.

Our quarterly financial results may be subject to significant fluctuations which may increase the volatility of our stock price.

Our results of operations could vary significantly from quarter to quarter. Factors that could affect our quarterly operating results include:

- our ability to attract new clients and retain current clients;
- the mix of client projects;
- the announcement or introduction of new services by us or any of our competitors;
- the expansion of the professional services offered by us or any of our competitors into new locations both nationally and internationally;

- the entry of new competitors into any of our markets;
- the number of holidays in a quarter, particularly the day of the week on which they occur;
- changes in the pricing of our professional services or those of our competitors;
- the amount and timing of operating costs and capital expenditures relating to management and expansion of our business; and
- the timing of acquisitions and related costs, such as compensation charges which fluctuate based on the market price of our common stock.

Due to these and other factors, we believe that quarter-to-quarter comparisons of our results of operations are not meaningful indicators of future performance. It is possible that in some future periods, our results of operations may be below the expectations of investors. If this occurs, the price of our common stock could decline.

We may be subject to laws and regulations that impose difficult and costly compliance requirements and subject us to potential liability and the loss of clients.

We are subject to regulations applicable to businesses generally, such as employment laws and regulations. In addition, in connection with providing services to clients in certain regulated industries, we are subject to certain industry-specific regulations, including licensing and reporting requirements. Complying with these requirements is costly and, if we fail to comply, we could be prevented from rendering services to clients in those industries in the future.

Risks Related to this Offering

Our securities have no prior market and our stock price is likely to be volatile, which could result in substantial losses for investors purchasing shares in this offering.

Before this offering, there was no public market for our common stock. A consistent public market for our common stock may not develop or be sustained after this offering. Fluctuations in the market price of our common stock could occur in response to factors such as:

- actual or anticipated variations in quarterly operating results;
- loss of a significant client or group of clients;
- changes in financial estimates by securities analysts;
- failure to meet analyst predictions and projections;
- changes in market valuations of professional services companies;
- improvements in the professional services of our competitors;
- announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;
- additions or departures of key personnel; and
- sales of our common stock or other securities in the future.

In addition, stock markets in general, and The Nasdaq National Market in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies listed on these markets. The trading prices and valuations of many companies' stocks are at or near historical highs, which are substantially above historical levels. These trading prices and valuations may not be sustainable. These broad market and industry factors may materially adversely affect the market price of our common stock, regardless of our actual operating performance.

Shares you purchase in this offering will be immediately and substantially diluted and may be further diluted in the future.

The initial public offering price is substantially higher than the net tangible book value of our common stock. As a result, if you purchase shares in this offering, your ownership interest will be immediately and substantially diluted. The dilution is expected to be $ per share. If outstanding options to purchase shares of common stock are exercised, you will be further diluted. If additional capital is raised through the issuance of equity securities, you will experience further dilution. As a result of these dilutions, in the event of a liquidation, you may receive significantly less than the purchase price that you paid for your shares. In addition, any new equity securities may have rights, preferences or privileges senior to those of your shares.

Potential sales of shares eligible for future sale after this offering could cause our stock price to decline.

If our stockholders sell substantial amounts of our common stock, including shares issued upon the exercise of outstanding options, in the public market following this offering, the market price of our common stock could fall. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. The shares sold in this offering will be freely tradable immediately upon completion of this offering. In addition, on the 181st day after completion of this offering, approximately shares of our common stock held by existing stockholders will be freely tradable, subject in some instances to the volume and other limitations of Rule 144. Additionally, of the 2,129,000 shares of common stock that may be issued upon the exercise of options outstanding as of August 26, 2000, approximately 344,500 shares of common stock will be vested and eligible for sale 180 days after the date of this prospectus. Sales of these shares and other shares of common stock held by existing stockholders could cause the market price of our common stock to decline. For a further description of the eligibility of shares for sale into the public market following the offering, see "Shares Eligible for Future Sale."

Our existing stockholders will continue to control us after this offering, and they may make decisions with which you disagree.

Upon consummation of this offering, Evercore Partners Inc., and certain of its affiliates, will own approximately % of the outstanding shares of common stock, or % if the underwriters' over-allotment option is exercised in full, and our executive officers, directors and principal stockholders, including Evercore Partners Inc. and certain of its affiliates, will own approximately % of the outstanding shares of common stock, or % if the underwriters' over-allotment option is exercised in full. As a result, Evercore Partners Inc. and/or these other stockholders will be able to control us and direct our affairs, including the election of directors and approval of significant corporate transactions. This concentration of ownership also may delay, defer or even prevent a change in control of our company, and make some transactions more difficult or impossible without the support of these stockholders. These transactions might include proxy contests, tender offers, mergers or other purchases of common stock that could give you the opportunity to realize a premium over the then-prevailing market price for shares of our common stock.

It may be difficult for a third party to acquire our company, and this could depress our stock price.

Delaware corporate law and our amended and restated certificate of incorporation and bylaws contain provisions that could delay, defer or prevent a change of control of our company or our management. These provisions could also discourage proxy contests and make it difficult for you and other stockholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that future investors are willing to pay for your shares. These provisions:

- authorize our board of directors to establish one or more series of undesignated preferred stock, the terms of which can be determined by the board of directors at the time of issuance;

- divide our board of directors into three classes of directors, with each class serving a staggered three-year term. As the classification of the board of directors generally increases the difficulty of replacing a majority of the directors, it may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us and may maintain the composition of the board of directors;

- prohibit cumulative voting in the election of directors unless required by applicable law. Under cumulative voting, a minority stockholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors;

- require that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing;

- state that special meetings of our stockholders may be called only by the chairman of the board of directors, our chief executive officer, by the board of directors after a resolution is adopted by a majority of the total number of authorized directors, or by the holders of not less than 10% of our outstanding voting stock;

- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting;

- provide that certain provisions of our certificate of incorporation can be amended only by supermajority vote of the outstanding shares, and that our bylaws can be amended only by supermajority vote of the outstanding shares or our board of directors;

- allow our directors, not our stockholders, to fill vacancies on our board of directors; and

- provide that the authorized number of directors may be changed only by resolution of the board of directors.

Management's use of the net proceeds from this offering may not increase our operating results or market value.

Management plans to use approximately $41.8 million of our net proceeds from this offering to satisfy senior and subordinated debt obligations of the company as of May 31, 2000. The remaining proceeds, approximately $ million, will be used to fund growth, provide working capital and for general corporate purposes. Consequently, our management will have broad discretion with respect to the application of these net proceeds, and you will not have the opportunity, as part of your investment in our common stock, to assess whether the proceeds are being used appropriately. The offering proceeds may be used for purposes that do not increase our operating results or market value. Pending application of the proceeds, they might be placed in investments that do not produce income or that lose value.

The selling stockholders will receive benefits from this offering which we will not share.

The selling stockholders will receive $ million of net proceeds from this offering, excluding the underwriters' over-allotment option. We will not receive any of these proceeds. In addition, this offering will establish a public market for our common stock and provide increased liquidity to the selling stockholders for the shares they own after this offering.

We do not plan to pay dividends in the future.

We have not paid cash dividends in the past and do not plan to pay dividends in the foreseeable future. We currently intend to retain all earnings for the growth of our business.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should" or "will" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Risk Factors," that may cause our, or our industry's, actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

This prospectus contains estimates made by independent parties relating to market size and growth. These estimates involve a number of assumptions and limitations. We cannot assure you that these estimates of market size are accurate or that projections of market growth will be achieved. Projections, assumptions and estimates of our future performance and the future performance of our industry are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and elsewhere in this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares of common stock, offered by us at an assumed initial public offering price of $ per share, will be $ million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses. We will not receive any proceeds from the sale of shares by the selling stockholders.

We intend:

- to use approximately $16.5 million of the net proceeds to repay our senior debt obligations, bearing interest, at our option, at the prime rate plus 2% and a Eurodollar-based rate plus 3% and having a maturity date of April 2003, pursuant to our existing credit agreement as of May 31, 2000;

- to use approximately $25.3 million of the net proceeds to redeem the balance due on our subordinated notes as of May 31, 2000, bearing 12% interest per annum and having a maturity date of April 15, 2004; and

- to fund the growth of our business and for working capital and general corporate purposes.

We may also use a portion of the net proceeds for acquisitions of businesses that complement our business. We currently have no commitments or agreements to make any acquisitions and may not make any acquisitions in the future. Pending these uses, we intend to invest the net proceeds in United States government securities and other short-term, investment-grade, interest-bearing instruments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" for additional information regarding our sources and uses of capital.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings to finance the growth and development of our business and do not anticipate paying any cash dividends in the foreseeable future. Our credit agreement currently prohibits us from declaring or paying any dividends or other distributions on any shares of our capital stock other than dividends payable solely in shares of capital or the stock of our subsidiaries. Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend upon our financial condition, results of operations, capital requirements, general business condition, contractual restrictions contained in our credit agreement and other agreements, and other factors deemed relevant by our board of directors.

CAPITALIZATION

The following table sets forth at May 31, 2000 our capitalization on an actual basis and a pro forma as adjusted basis to reflect the sale of shares of common stock in this offering at the initial public offering price of $ per share, the conversion of all authorized shares of Class B Common Stock and Class C Common Stock to Common Stock, and the use of approximately $16.5 million to repay our bank debt and approximately $25.3 million to redeem our subordinated notes. You should read this information together with the "Selected Historical Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes contained elsewhere in this prospectus.

	As of May 31, 2000	
	Actual	Pro Forma As Adjusted
	(in thousands except share and per share data)	
Debt (including current maturities):		
Senior Secured Credit Facility	$16,500	
Subordinated Notes	25,271	
Total Debt	41,771	
Stockholders' equity:		
Preferred Stock, $0.01 par value, 5,000,000 shares authorized; and no shares issued or outstanding, actual; 5,000,000 shares authorized and no shares issued and outstanding, pro forma as adjusted		
Common Stock, $0.01 par value, 35,000,000 shares authorized, and 15,630,000 shares issued and outstanding, actual; 35,000,000 shares authorized, and issued and outstanding, pro forma as adjusted		
Common Stock, 25,000,000 shares designated, and 15,485,260 shares issued and outstanding, actual; no shares designated, issued or outstanding, pro forma as adjusted	155	
Class B Common Stock, 3,000,000 shares designated, and 144,740 shares issued and outstanding, actual; no shares designated, issued or outstanding, pro forma as adjusted	1	
Class C Common Stock, 7,000,000 shares designated, and no shares issued and outstanding, actual; no shares designated, issued or outstanding, pro forma as adjusted		
Additional paid-in capital	10,222	
Deferred stock compensation	(499)	
Accumulated other comprehensive loss	(32)	
Retained earnings	7,338	
Total stockholders' equity	17,185	
Total capitalization	$58,956	---

This table excludes the following shares:

- 2,129,000 shares of common stock issuable on the exercise of stock options outstanding as of August 26, 2000; and
- 211,000 shares of common stock reserved for future grant or issuance under the 1999 Long-Term Incentive Plan as of August 26, 2000.

DILUTION

Our net tangible book value at May 31, 2000 was $(24.4 million), or approximately $(1.56) per share. Pro forma net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding after giving effect to the conversion of all Class B Common Stock and Class C Common Stock to Common Stock. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the net tangible book value per share of our common stock immediately afterwards. After giving effect to our sale of shares of common stock offered by this prospectus and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at May 31, 2000 would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $ per share to new stockholders purchasing shares of common stock in this offering. The following table illustrates this per share dilution.

Assumed public offering price per share		$
Net tangible book value per share as of May 31, 2000	$(1.56)	
Increase per share attributable to new stockholders		
Pro forma as adjusted net tangible book value per share after the offering		
Dilution per share to new stockholders		$

The following table summarizes the difference between the existing stockholders and new stockholders with respect to the number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share paid. The information is presented as of May 31, 2000, and is based on an assumed initial public offering price of $ per share, before deducting the underwriting discount and commissions and our estimated offering expenses.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders	15,630,000	%	$10,056,300	%	$0.64
New stockholders		%		%	$
Total		100%	$	100%	

The foregoing discussion and tables assume no exercise of options to purchase 2,129,000 shares of common stock, at a weighted average exercise price of $4.01 per share outstanding as of August 26, 2000 and does not include 211,000 shares of common stock reserved for issuance under the 1999 Long-Term Incentive Plan. If any of these options are exercised, the new stockholders will be further diluted. For more information about these options, see "Management--1999 Long-Term Incentive Plan," "Description of Capital Stock" and Notes 10 and 14 to Resources Connection, Inc. Notes to Consolidated Financial Statements.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

You should read the following selected historical consolidated financial data in conjunction with our consolidated financial statements and related notes beginning on page F-1 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing on page 21. The statement of income data for the year ended May 31, 1997, and the consolidated balance sheet data at May 31, 1997 were derived from the unaudited financial statements of Resources Connection LLC and are not included in this prospectus. The statements of income data for the year ended May 31, 1998, and the period from June 1, 1998 to March 31, 1999, and the balance sheet data at May 31, 1998 were derived from the financial statements of Resources Connection LLC that have been audited by PricewaterhouseCoopers LLP, independent accountants, and, with respect to the statement of income data, are included elsewhere in this prospectus. The consolidated statements of income data for the period from November 16, 1998 to May 31, 1999, and the year ended May 31, 2000, and the consolidated balance sheet data at May 31, 1999 and 2000 were derived from our consolidated financial statements that have been audited by PricewaterhouseCoopers LLP and are included elsewhere in this prospectus. Historical results are not necessarily indicative of results that may be expected for any future periods.

	Resources Connection LLC			Resources Connection, Inc.	
	Year Ended May 31, 1997	Year Ended May 31, 1998	Period from June 1, 1998 to March 31, 1999	Period from November 16, 1998 to May 31, 1999	Year Ended May 31, 2000
	(unaudited)				
	(dollar amounts in thousands, except per share data)				
Consolidated Statements of Income Data:					
Revenue	$9,331	$29,508	$55,438	$15,384	$126,332
Direct cost of services	5,367	16,671	31,253	8,618	73,541
Gross profit	3,964	12,837	24,185	6,766	52,791
Selling, general and administrative expenses	3,086	9,035	17,071	4,274	34,649
Amortization of intangible assets	--	--	--	371	2,231
Depreciation expense	9	79	118	30	284
Income from operations	869	3,723	6,996	2,091	15,627
Interest expense	--	--	--	734	4,717
Income before provision for income taxes	869	3,723	6,996	1,357	10,910
Provision for income taxes	--	--	--	565	4,364
Net income	$ 869	$ 3,723	$ 6,996	$ 792	$ 6,546
Pro Forma Data (1):					
Income before provision for income taxes	$ 869	$ 3,723	$ 6,996		
Pro forma provision for income taxes	348	1,489	2,798		
Pro forma net income	$ 521	$ 2,234	$ 4,198		
Net income per share:					
Basic				$ 0.09	$ 0.42
Diluted				$ 0.09	$ 0.42
Number of shares used in computing net income per share:					
Basic				8,691	15,630
Diluted				8,691	15,714
Other Data:					
EBITDA (2)	$ 878	$ 3,802	$ 7,114	$ 2,492	$ 18,142
Number of offices open at end of period	9	18	27	28	35
Total number of					

associates on assignment at end of period.....	127	326	675	697	1,056

	Resources Connection LLC		Resources Connection, Inc.	
	As of May 31,			
	1997	1998	1999	2000
	(unaudited)			
Consolidated Balance Sheet Data:				
Cash and cash equivalents	$ --	$3,168	$ 876	$ 4,490
Working capital	1,133	4,504	7,150	9,932
Total assets	1,409	7,976	58,954	70,106
Long-term debt, including current portion	--	--	42,531	41,771
Stockholders' equity	1,205	4,928	10,610	17,185

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(1) As a limited liability company, income taxes on any income realized by Resources Connection LLC were the obligation of its members and, accordingly, no provision for income taxes was recorded by Resources Connection LLC. Pro forma net income has been computed for periods through May 31, 1999, as if Resources Connection LLC had been fully subject to federal and state income taxes as a C corporation.

(2) "EBITDA" represents earnings before interest, income taxes, depreciation and amortization. EBITDA is presented here to provide additional information about our operations and should not be construed as a better indicator of operating performance than income from operations as determined in accordance with generally accepted accounting principles, or GAAP, or a better indicator of liquidity than cash flow from operating activities as determined in accordance with GAAP.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those discussed in "Risk Factors" starting on page 8 and elsewhere in this prospectus.

Overview

Resources Connection is a leading professional services firm that provides experienced accounting and finance, human capital management and information technology professionals to clients on a project-by-project basis. We assist our clients with discrete projects requiring specialized professional expertise such as mergers and acquisitions due diligence, transitions of management information systems, financial analyses (e.g., product costing and margin analyses), tax-related projects, and compensation program design and implementation. We also assist our clients with periodic needs such as budgeting and forecasting, audit preparation and public reporting.

We began operations in June 1996 as a division of Deloitte & Touche and operated as a wholly-owned subsidiary of Deloitte & Touche from January 1997 until April 1999. In November 1998, our management formed RC Transaction Corp., renamed Resources Connection, Inc., to raise capital for an intended management-led buyout. In April 1999, we completed a management-led buyout in partnership with our investor Evercore Partners, Inc., four of its affiliates and six other investors. In connection with the buyout, we entered into a transition services agreement with Deloitte & Touche, whereby Deloitte & Touche agreed to provide certain services to us at negotiated rates during the period that we maintained our offices within their locations. We have completed the transition of all of our previously co-located offices. Our general and administrative expenses for the first ten months of fiscal 1999 included charges for services supplied by Deloitte & Touche, as the parent of Resources Connection LLC. The charges for these services may not necessarily be at rates available from third parties. Pursuant to the transition services agreement, our general and administrative expenses for the last two months of fiscal 1999 and all of fiscal 2000 include charges for services provided by Deloitte & Touche. These transition services were negotiated at arms length.

Growth in revenue, to date, has generally been the result of establishing offices in major markets throughout the United States. We established nine offices during fiscal 1997, our initial fiscal year, all in the Western United States. In fiscal 1998, we established nine additional offices, which extended our geographic reach to the Midwest and Eastern United States. In fiscal 1999, we opened ten more offices and established a new service line in information technology. In fiscal 2000, we established four more domestic offices, established a new service line in human capital management and also began operations in Toronto, Canada; Taipei, Taiwan; and Hong Kong, People's Republic of China. Our new service lines were introduced in a limited number of our offices. To date in fiscal 2001, we have established three domestic offices. As a result, we currently serve our clients through 35 offices in the United States and three offices abroad.

We earn revenue primarily by charging our corporate clients on an hourly basis for the professional services of our associates. We recognize revenue once services have been rendered. To a much lesser extent, we also earn revenue if a client hires an associate onto their permanent payroll. This type of revenue is recognized at the time our client completes the hiring process and represented less than 4% of our revenue in each of fiscal 1998, 1999 and 2000.

The costs to pay our professional associates and all related benefit and incentive costs, including provisions for paid time off and other employee benefits, are included in direct cost of services. We pay our associates on an hourly basis for all hours worked on client engagements. We generally pay associates only when working on client assignments, and therefore, direct cost of services tend to vary directly with the volume of revenue we earn. We expense the benefits we pay to our associates, which include paid vacation and holidays; referral bonus programs;

group health, dental and life insurance programs; a matching 401(k) retirement plan; and professional development and career training. In addition, we pay the related costs of employment, including state and federal payroll taxes, workers' compensation insurance, unemployment insurance and associated costs. Typically, an associate must work a threshold number of hours to be eligible for all of the benefits. We recognize direct cost of services when incurred.

Selling, general and administrative expenses include the payroll and related costs of our national and local management as well as general and administrative, marketing and recruiting costs. Our sales and marketing efforts are led by our management team who are paid a salary and earn bonuses based on certain operating results for our company and in their geographic market.

Results of Operations

The following tables set forth, for the periods indicated, certain combined and consolidated statements of income data. The combined statements of income data of Resources Connection LLC for the period from June 1, 1998 to March 31, 1999 and Resources Connection, Inc. for the period from our date of inception, November 16, 1998, to May 31, 1999 is presented in order to facilitate management's discussion and analysis of financial results. These historical results are not necessarily indicative of future results.

	Resources Connection LLC	Resources Connection, Inc. and Resources Connection LLC Combined	Resources Connection, Inc.
	Year Ended May 31, 1998	Year Ended May 31, 1999	Year Ended May 31, 2000
	(in thousands)		
Consolidated Statements of Income Data:			
Revenue	$29,508	$70,822	$126,332
Direct cost of services	16,671	39,871	73,541
Gross profit	12,837	30,951	52,791
Selling, general and administrative expenses	9,035	21,345	34,649
Amortization of intangible assets	--	371	2,231
Depreciation expense	79	148	284
Income from operations	3,723	9,087	15,627
Interest expense	--	734	4,717
Income before provision for income taxes	3,723	8,353	10,910
Provision for income taxes(1)	1,489	3,363	4,364
Net income(1)	$ 2,234	$ 4,990	$ 6,546

Our operating results for fiscal 1998, 1999 and 2000 are expressed as a percentage of revenue below.

	Year Ended May 31,		
	1998	1999	2000
Revenue	100.0%	100.0%	100.0%
Direct cost of services	56.6	56.4	58.2
Gross profit	43.4	43.6	41.8
Selling, general and administrative expenses	30.5	30.1	27.4
Amortization of intangible assets	--	0.6	1.8
Depreciation expense	0.3	0.1	0.2
Income from operations	12.6	12.8	12.4
Interest expense	--	1.0	3.7

Income before provision for income taxes.....	12.6	11.8	8.7
Provision for income taxes(1).....	5.0	4.7	3.5
Net income(1).....	7.6%	7.1%	5.2%

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(1) As a limited liability company, income taxes on any income realized by Resources Connection LLC were the obligation of its members and, accordingly, no provision for income taxes was recorded by Resources Connection LLC. Pro forma net income has been computed for periods through May 31, 1999, as if Resources Connection LLC had been fully subject to federal and state income taxes as a C corporation.

Fiscal 2000 compared to Fiscal 1999

Revenue. Revenue increased $55.5 million, or 78.4%, to $126.3 million in fiscal 2000 from $70.8 million in fiscal 1999. The increase in total revenues was primarily the result of the growth in the number of associates on assignment from 697 at the end of fiscal 1999 to 1,056 at the end of fiscal 2000 and a moderate increase in the average revenue per hour. During fiscal 2000, we opened seven new offices, introduced our human capital management service line to certain existing markets and expanded our recently introduced information technology service line in existing market places. These new offices and our new service line contributed $5.1 million to revenues during the year or 9.2% of our increase in revenue. Offices opened prior to fiscal 1999 had an annual average revenue growth rate of 64.7%.

Direct Cost of Services. Direct cost of services increased $33.7 million, or 84.5%, to $73.5 million in fiscal 2000 from $39.9 million in fiscal 1999. This increase was the result of the growth in the number of associates on assignment from 697 at the end of fiscal 1999 to 1,056 at the end of fiscal 2000. In addition, we enriched certain of our benefit programs for associates during fiscal 2000 and more of our associates qualified for benefits. The direct cost of services as a percentage of revenue in fiscal 2000 was 58.2% as compared to 56.4% in fiscal 1999, reflecting primarily the impact of these enriched benefit programs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $13.3 million, or 62.4%, to $34.6 million in fiscal 2000 from $21.3 million in fiscal 1999. This increase was attributable to the additional cost of operating and staffing the seven new offices opened in fiscal 2000, a full year of operation for the ten offices that had opened in fiscal 1999 and growth in offices opened prior to fiscal 1999. Selling, general and administrative expenses decreased as a percentage of revenue from 30.1% in fiscal 1999 to 27.4% in fiscal 2000, due to these expenses being spread over a larger revenue base.

Amortization and Depreciation Expense. Amortization of intangible assets, which increased from $371,000 in fiscal 1999 to $2.2 million in fiscal 2000, was related to our acquisition of Resources Connection LLC. Fiscal 2000 results reflect a full year of amortization expense compared with only two months of expense in fiscal 1999.

Depreciation expense increased from $148,000 in fiscal 1999 to $284,000 in fiscal 2000, reflecting the continuing growth in our number of offices, our investment in technology, and our expenditures for leasehold improvements and furniture for offices moved from co-located Deloitte & Touche office space.

Interest Expense. Interest expense increased from $734,000 in fiscal 1999 to $4.7 million in fiscal 2000, related primarily to the debt incurred in connection with the acquisition of Resources Connection LLC. This debt was outstanding for all of fiscal 2000 compared to only two months in fiscal 1999.

Income Taxes. The provision for income taxes increased to $4.4 million in fiscal 2000 from $3.4 million in fiscal 1999. The effective tax rate decreased from 40.3% in fiscal 1999 to 40.0% in fiscal 2000. The provision for Resources Connection LLC is shown on a pro forma basis. Resources Connection LLC operated as a limited liability company from January 1997 to April 1999. Income taxes on any income realized by Resources Connection LLC during this period were the obligation of its members and, accordingly, no provision for income taxes was recorded. Our effective rate differs from the federal statutory rate primarily due to state taxes, net of federal benefit.

Fiscal 1999 compared to Fiscal 1998

Revenue. Revenue increased $41.3 million, or 140.0%, to $70.8 million in fiscal 1999 from $29.5 million in fiscal 1998. The increase in total revenues was primarily the result of the growth in the number of associates on assignment from 327 at the end of fiscal 1998 to 697 at the end of fiscal 1999 and a moderate increase in the average revenue per hour. During fiscal 1999, we opened ten new offices and introduced an information technology service line in certain existing markets. These new offices and our new service line contributed $9.8 million to revenues during the year or 23.7% of our increase in revenue. Offices opened prior to fiscal 1998 had an annual average revenue growth rate of 57.5%.

Direct Cost of Services. Direct cost of services increased $23.2 million, or 138.9%, to $39.9 million in fiscal 1999 from $16.7 million in fiscal 1998. This increase was the result of the growth in the number of associates on assignment from 327 at the end of fiscal 1998 to 697 at the end of fiscal 1999. The direct cost of services as a percentage of revenue was 56.4% in fiscal 1999 as compared to 56.6% in fiscal 1998.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $12.3 million, or 136.7%, to $21.3 million in fiscal 1999 from $9.0 million in fiscal 1998. This increase was attributable to the additional cost of operating and staffing the ten new offices opened in fiscal 1999, the full year of operations of the nine offices that had opened in fiscal 1998 and growth in offices opened prior to fiscal 1998. Selling, general and administrative expenses decreased as a percent of revenue from 30.5% in fiscal 1998 to 30.1% in fiscal 1999, due to these expenses being spread over a larger revenue base.

Amortization and Depreciation Expense. Amortization of intangible assets, related to our acquisition of Resources Connection LLC, was $371,000 in fiscal 1999. There was no amortization of intangible assets in fiscal 1998.

Depreciation expense increased from $79,000 in fiscal 1998 to $148,000 in fiscal 1999, reflecting the continuing growth in our number of offices and our investment in technology.

Interest Expense. Interest expense in fiscal 1999 was $734,000, related to the debt incurred to provide financing for the acquisition of Resources Connection LLC. There was no interest expense incurred in fiscal 1998.

Income Taxes. The pro forma provision for income taxes was $3.4 million, an effective rate of 40.3%, and $1.5 million, an effective rate of 40.0%, in fiscal 1999 and 1998, respectively. Our effective rate differs from the federal statutory rate primarily due to state taxes, net of federal benefit.

Quarterly Results

The following table sets forth our unaudited quarterly consolidated statements of income data for each of the eight quarters in the two-year period ended May 31, 2000. In the opinion of management, this data has been prepared on a basis substantially consistent with our audited consolidated financial statements appearing elsewhere in this prospectus, and reflect and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the data. The quarterly data should be read together with our consolidated financial statements and related notes appearing elsewhere in this prospectus. The operating results are not necessarily indicative of the results to be expected in any future period.

	Quarter Ended							
	Aug. 31, 1998	Nov. 30, 1998	Feb. 28, 1999	May 31, 1999	Aug. 31, 1999	Nov. 30, 1999	Feb. 29, 2000	May 31, 2000
	(in thousands)							
Consolidated Statements of Income Data:								
Revenue	$11,684	$15,354	$19,766	$24,018	$25,533	$28,581	$33,384	$38,834
Direct cost of services	6,475	8,608	11,369	13,419	14,491	16,626	19,765	22,659
Gross profit	5,209	6,746	8,397	10,599	11,042	11,955	13,619	16,175
Selling, general and administrative expenses	3,692	4,963	6,031	6,659	6,813	8,050	9,365	10,421
Amortization of intangible assets	--	--	--	371	511	577	572	571
Depreciation expense	33	33	39	43	51	49	31	153
Income from operations	1,484	1,750	2,327	3,526	3,667	3,279	3,651	5,030
Interest expense	--	--	--	734	1,154	1,186	1,199	1,178
Income before provision for income taxes	1,484	1,750	2,327	2,792	2,513	2,093	2,452	3,852
Provision for income taxes(1)	594	700	931	1,138	1,006	835	981	1,542
Net income(1)	$ 890	$ 1,050	$ 1,396	$ 1,654	$ 1,507	$ 1,258	$ 1,471	$ 2,310

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(1) As a limited liability company, income taxes on any income realized by

Resources Connection LLC were the obligation of its members and, accordingly, no provision for income taxes was recorded by Resources Connection. Pro forma net income has been computed for periods through May 31, 1999, as if Resources Connection LLC had been fully subject to federal and state income taxes as a C corporation.

Our quarterly results have fluctuated in the past and we believe they will continue to do so in the future. Factors that could affect our quarterly operating results include:

- our ability to attract new clients and retain current clients;
- the mix of client projects;
- the announcement or introduction of new services by us or any of our competitors;
- the expansion of the professional services offered by us or any of our competitors into new locations both nationally and internationally;
- the entry of new competitors into any of our markets;
- the number of holidays in a quarter, particularly the day of the week on which they occur;
- changes in the pricing of our professional services or those of our competitors;
- the amount and timing of operating costs and capital expenditures relating to management and expansion of our business; and
- the timing of acquisitions and related costs, such as compensation charges which fluctuate based on the market price of our common stock.

Due to these and other factors, we believe that quarter-to-quarter comparisons of our results of operations are not meaningful indicators of future performance.

Liquidity and Capital Resources

Our primary source of liquidity is cash provided by our operations and, to the extent necessary, available commitments under our revolving line of credit. Deloitte & Touche provided operating capital and accounts receivable financing through March 1999; however, by the end of fiscal 1997, we generated positive cash flows from operations, and we continued to do so in fiscal years 1998, 1999 and 2000.

In April 1999, in connection with the acquisition of Resources Connection LLC, we entered into a $28.0 million credit agreement with a group of banks which provides for an $18.0 million term loan facility and a $10.0 million revolving credit facility. Principal payments on the term loan are due quarterly and the credit agreement expires on October 1, 2003. At the end of fiscal 2000, the amount outstanding on the term loan was $16.5 million and we had no outstanding borrowings under the revolving credit facility. Borrowings under the credit agreement are secured by all of our assets. Our interest rate options under our credit agreement are prime rate plus 2% and a Eurodollar-based rate plus 3%. At the end of fiscal 2000, the term loan bore interest at 8.75%. Interest is payable on both the term loan and revolving credit facility at various intervals no less frequent than quarterly. Under the terms of the credit agreement, the term loan must be repaid upon consummation of this offering.

In April 1999, we issued $22.0 million in 12% subordinated promissory notes to certain investors. The notes are subordinate to our bank facilities. Interest accrues on the notes at 12% and is payable on a quarterly basis; however, we may elect and have elected to defer payment of the interest and to add the balance due to the outstanding principal balance. All principal, including accrued interest, is due on April 15, 2004. At the end of fiscal 2000, the outstanding balance was $25.3 million.

Net cash provided by operating activities totaled $10.5 million in fiscal 2000, $3.0 million in fiscal 1999 on a pro forma combined basis (including $5.0 million in cash acquired in connection with our acquisition of Resources Connection LLC) and $3.6 million in fiscal 1998. Cash provided by operations resulted primarily from the net earnings of the company partially offset by growth in working capital.

Net cash used in investing activities totaled $3.3 million in fiscal 2000, $51.1 million in fiscal 1999 and $431,000 in fiscal 1998. Other than in fiscal 1999, when we used cash to purchase Resources Connection LLC, cash used in investing activities was a result of purchases of property and equipment.

Net cash used in financing activities totaled $3.6 million in fiscal 2000 and net cash generated by financing activities totaled $50.8 million in fiscal 1999. We had no financing activities in fiscal 1998. Net cash generated from financing activities in fiscal 1999 resulted from the issuance of common stock, the issuance of subordinated debt and proceeds from bank debt associated with the purchase of Resources Connection LLC and the resultant financing of the ongoing operations of our company thereafter. Cash used in financing activities during fiscal 2000 resulted from the repayment of our term debt and the net decrease in borrowings under our revolving line of credit.

Our ongoing operations and anticipated growth in the geographic markets we serve will require us to continue making investments in capital equipment, primarily technology hardware and software. In addition, we may consider making certain strategic acquisitions. We anticipate that our current cash, proceeds from this offering, existing availability under our revolving line of credit and the ongoing cash flows from our operations will be adequate to meet our working capital and capital expenditure needs for at least the next 12 months. If we require additional capital resources to grow our business, either internally or through acquisition, we may seek to sell additional equity securities or to secure additional debt financing. The sale of additional equity securities or the addition of new debt financing could result in additional dilution to our stockholders. We may not be able to obtain financing arrangements in amounts or on terms acceptable to us in the future. In the event we are unable to obtain additional financing when needed, we may be compelled to delay or curtail our plans to develop our business which could have a material adverse affect on our operations, market position and competitiveness.

Qualitative and Quantitative Disclosure About Market Risk

Interest Rate Risk. At the end of fiscal 2000, we had $4.5 million of cash and highly liquid short-term investments. These investments are subject to changes in interest rates, and to the extent interest rates were to decline, it would reduce our interest income. At the end of fiscal 2000, we had outstanding term debt totaling $16.5 million. We can select to accrue interest based on an index tied to the prime rate, or the Eurodollar, or a combination thereof. We have entered into an interest rate swap with a credit-worthy counterparty to fix the interest rate on $12.6 million of our term debt, but the remaining balance is subject to interest rate risk based on fluctuations in the base rate for our loan. A 100 basis point increase in interest rates, approximately 10% of our end of year interest rate on debt, affecting our financial instruments would have an immaterial effect on our results of operations, financial position or cash flows.

Foreign Currency Exchange Rate Risk. To date, our foreign operations have not been significant to our overall operations, and our exposure to foreign currency exchange rate risk has been low. However, as our strategy to continue expanding foreign operations progresses, we expect more of our revenues will be derived from foreign operations denominated in the currency of the applicable markets. As a result, our operating results could become subject to fluctuations based upon changes in the exchange rates of foreign currencies in relation to the U.S. dollar. Although we intend to monitor our exposure to foreign currency fluctuations, including the use of financial hedging techniques when we deem it appropriate, we cannot assure you that exchange rate fluctuations will not adversely affect our financial results in the future.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board, or FASB, issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," which was later amended by SFAS No. 137 "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 133 established standards for the accounting and reporting for derivative instruments, including

certain derivative instruments embedded in other contracts, and hedging activities. The statement generally requires recognition of gains and losses on hedging instruments, based on changes in fair value or the earnings effect of a forecasted transaction. SFAS No. 133, as amended by SFAS No. 137, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Management does not believe that SFAS No. 133 or SFAS No. 137 will have a material impact on the consolidated financial statements of the company.

In March 2000, the FASB issued Interpretation No. 44, or FIN 44, entitled "Accounting for Certain Transactions Involving Stock Compensation," which is an interpretation of Accounting Principles Board No. 25, or APB 25. This interpretation clarifies:

- the definition of an employee for purposes of applying APB 25;
- the criteria for determining whether a plan qualifies as a noncompensatory plan;
- the accounting consequences of various modifications to the terms of a previously fixed stock option or award; and
- the accounting for an exchange of stock compensation awards in a business combination.

This interpretation is effective July 1, 2000. We believe that the adoption of FIN 44 will not have a material impact on our financial position or results of operations.

Overview

Resources Connection is a leading professional services firm that provides experienced accounting and finance, human capital management and information technology professionals to clients on a project-by-project basis. We assist our clients with discrete projects requiring specialized professional expertise such as mergers and acquisitions due diligence, transitions of management information systems, financial analyses (e.g., product costing and margin analyses), tax-related projects, and compensation program design and implementation. We also assist our clients with periodic needs such as budgeting and forecasting, audit preparation and public reporting.

We were founded in June 1996 by a team at Deloitte & Touche, led by our current Chief Executive Officer, who was then a senior partner with Deloitte & Touche. Our other founding members include our current Chief Financial Officer, then also a partner, and the current managing director of our New York area practice. Our founders created Resources Connection to capitalize on the increasing demand for high-quality, outsourced professional services and to address the needs of companies that are not adequately served by traditional professional services providers. We operated as a division of Deloitte & Touche from our inception in June 1996 until January 1997. From January 1997 until April 1999, we operated as an independent subsidiary of Deloitte & Touche. During these periods due to regulatory constraints applicable to us as part of a Big Five accounting firm, we were unable to provide certain services to some of our clients. In April 1999, we completed a management-led buyout. Subsequent to the management-led buyout, we were able to expand the scope of services we provide to our clients.

Our business model combines the client service orientation and commitment to quality of a Big Five accounting firm with the entrepreneurial culture of an innovative, high-growth company. We are positioned to take advantage of what we believe are two converging trends in the outsourced professional services industry: increasing demand for outsourced professional services by corporate clients, and increasing supply of professionals interested in working on an outsourced basis. We believe our business model allows us to offer challenging yet flexible career opportunities, attract highly qualified, experienced professionals and, in turn, attract clients.

As of August 26, 2000, we employed more than 1,050 professional service associates on assignment. Our associates have an average of 18 years of professional experience in a wide range of industries and functional areas; approximately 50% of our associates are CPAs and approximately 28% have MBAs. We offer our associates careers that combine many of the advantages of working for a traditional professional services firm with the flexibility of project-based work. We provide our associates challenging work assignments, competitive compensation and benefits, and continuing education and training opportunities, while offering flexible work schedules and more control over choosing client engagements.

We have established a growing and diverse client base of over 1,500 clients, including 43 of the Fortune 100, 15 of the Fortune e50 Index and three of the Big Five accounting firms. We serve our clients through 35 offices in the United States and 3 offices abroad. We have grown revenues internally from $9.3 million in fiscal 1997 to $126.3 million in fiscal 2000, a three-year CAGR of 138%. Over the same period, we have increased our EBITDA from $878,000 to $18.1 million. We have been profitable every year since our inception.

We believe our distinctive culture is a valuable asset and is in large part due to our management team which has extensive experience in the professional services industry. Virtually all of our senior management and office directors have Big Five experience and all of our management has an equity interest in our company. This team has created a culture of professionalism which we believe fosters in our associates a feeling of personal responsibility for, and pride in, client projects and enables us to deliver superior value to our clients.

Industry Background

Increasing Demand for Outsourced Professional Services

The outsourcing of professionals, according to Staffing Industry Analysts, Inc., is one of the fastest growing segments of the industry for outsourcing employees, with revenues estimated to grow from $9.1 billion in 1999

to $14.4 billion in 2001, representing a CAGR of 25.8%. Accounting and finance professionals are estimated to account for approximately half of this segment. We believe this growth is driven by the recognition that by outsourcing professionals, companies can:

- strategically access specialized skills and expertise;
- effectively supplement internal resources;
- increase labor flexibility; and
- reduce their overall hiring and training costs.

Typically, companies use a variety of alternatives to fill their project-based professional services needs. Companies outsource entire projects to consulting firms, which provides access to the expertise of the firm but often entails significant cost and less management control of the project. Companies also supplement their internal resources with employees from the Big Five accounting firms; however, these arrangements are on an ad hoc basis and have been increasingly limited by regulatory concerns. Companies use temporary employees from traditional and Internet-based staffing firms, who may be less experienced or less qualified than employees of professional services firms. Finally, some companies rely solely on their own employees who may lack the requisite time, experience or skills. Thus, each of these alternatives for meeting project-based needs may require a company to make compromises in terms of quality, cost or internal resource allocation.

Increasing Supply of Project Professionals

Concurrent with the growth in demand for outsourced professional services, we believe that the number of professionals seeking to work on a project basis has increased due to a desire for:

- more flexible hours and work arrangements while maintaining competitive wages and benefits and a professional culture;
- challenging engagements that advance their careers, develop their skills and add to their experience base; and
- a work environment providing a diversity of, and more control over, client engagements.

The employment alternatives historically available to professionals may fulfill some, but not all, of an individual's career objectives. A professional working for a Big Five accounting firm or a consulting firm may receive challenging assignments and training, but may encounter a career path with less flexible hours and limited control over work engagements. Alternatively, a professional who works as an independent contractor faces the ongoing task of sourcing assignments and significant administrative burdens.

Resources Connection Solution

Resources Connection is positioned to capitalize on the confluence of these industry trends. We believe that Resources Connection provides clients seeking project-based professional services a superior value proposition because we are able to combine all of the following:

- a relationship-oriented approach to better assess our clients' project needs;
- highly-qualified professionals with the requisite skills and experience;
- competitive rates on an hourly, instead of a per project, basis; and
- greater client control of their projects.

We believe that our ability to deliver the combination of these benefits to our clients provides us with a distinctive competitive position in the outsourced professional services industry.

Resources Connection Strategy

Our Business Strategy

We are dedicated to providing highly-qualified and experienced accounting and finance, human capital management and information technology professionals to meet our clients' project-based and interim professional services needs. Our objective is to be the leading provider of these outsourced professional services. We have developed the following business strategies to achieve this objective:

- Hire and retain highly-qualified, experienced associates. We believe our highly-qualified, experienced associates provide us with a distinct competitive advantage. Therefore, one of our priorities is to continue to attract and retain high-caliber associates. We believe we have been successful in attracting and retaining qualified professionals by providing challenging work assignments, competitive compensation and benefits, and continuing education and training opportunities, while offering flexible work schedules and more control over choosing client engagements.

- Maintain our distinctive culture. Our corporate culture is central to our business strategy and we believe has been a significant component of our success. Our senior management, virtually all of whom are Big Five alumni, has created a culture that combines the commitment to quality and client service focus of a Big Five accounting firm with the entrepreneurial energy of an innovative, high-growth company. We seek associates and management with talent, integrity, enthusiasm and loyalty to strengthen our team and support our ability to provide clients with superior service and value. We believe that our culture has been instrumental to our success in hiring and retaining highly-qualified associates and, in turn, attracting clients.

- Build consultative relationships with clients. We emphasize a relationship-oriented approach to business rather than a transaction- or assignment-oriented approach. We believe the professional services experience of our management and associates enables us to understand the needs of our clients and to deliver an integrated, relationship-oriented approach to meeting their professional services needs. We regularly meet with our existing and prospective clients to understand their businesses and help them define their project needs. Once a project is defined, we identify associates with the appropriate skills and experience to meet the client's needs. We believe that by partnering with our clients to solve their professional services needs, we can generate new opportunities to serve them. The strength of our client relationships is demonstrated by the fact that 46 of our top 50 clients in fiscal 1999 remained clients in fiscal 2000.

- Build the Resources Connection brand. We are establishing Resources Connection as the premier provider of high-quality, project-based professional services. Our primary means of building our brand is by consistently providing superior value-added services to our clients. We have also focused on building a significant referral network through our more than 1,050 associates on assignment and more than 150 management employees, most of whom have established relationships with a number of potential clients. In addition, we have ongoing national and local marketing efforts which reinforce the Resources Connection brand.

Our Growth Strategy

All of our growth since inception has been internal. We believe we have significant opportunity for continued strong internal growth in our core business and will evaluate potential strategic acquisitions on an opportunistic basis. Key elements of our growth strategy include:

- Expanding work from existing clients. A principal component of our strategy is to secure additional project work from the more than 1,500 clients we served in fiscal 2000. Prior to the management-led buyout, we were unable to provide certain services to some of our clients due to regulatory constraints applicable to us as part of a Big Five accounting firm. Subsequent to the management-led buyout, we were able to expand the scope of the services we provide to our clients. We believe that

the amount of revenue we currently receive from most of our clients represents a relatively small percentage of the amount they spend on outsourced professional services, and that, consistent with industry trends, they will continue to increase the amount they spend on these services. We believe that by continuing to deliver high-quality services and by further developing our relationships with our clients, we will capture a significantly larger share of our clients' expenditures for outsourced professional services.

- Growing our client base. We will continue to focus on attracting new clients. In both fiscal 1999 and fiscal 2000, we increased our client base by over 500 new clients. We plan to develop new client relationships primarily by leveraging the significant contact networks of our management and associates and through referrals from existing clients. In addition, we believe we will attract new clients by building our brand name and reputation and through our national and local marketing efforts.

- Expanding geographically. We plan to expand geographically to meet the demand for outsourced professional services. We expect to add to our existing domestic office network with new offices strategically located to meet the needs of our existing clients and to create additional new client opportunities. We believe that there are also significant opportunities to grow our business internationally and, consequently, we intend to expand our international presence on a strategic and opportunistic basis.

- Providing additional professional services lines. We will continue to explore, and consider entry into, new professional services lines. Since fiscal 1999, we have diversified our professional services lines by entering into the human capital management and the information technology segments. Our considerations when evaluating new professional services lines include growth potential, profitability, cross-marketing opportunities and competition.

Associates

We believe that an important component of our success over the past four years has been our highly-qualified and experienced associates. As of August 26, 2000, we employed over 1,050 associates on assignment. Our associates have an average of 18 years of professional experience in a wide range of industries and functional areas; approximately 50% of our associates are CPAs and approximately 28% have MBAs. We provide our associates with challenging work assignments, competitive compensation and benefits, and continuing education and training opportunities, while offering flexible work schedules and more control over choosing client engagements.

Our associates are employees of Resources Connection. We pay each associate an hourly rate, pay overtime, and offer benefits, including paid vacation and holidays; referral bonus programs; group health, dental and life insurance programs each with a 50% contribution by the associate; a matching 401(k) retirement plan; and professional development and career training. Typically, an associate must work a threshold number of hours to be eligible for all of the benefits. In June 2000, we launched a long-term, incentive plan for our associates, which affords them the opportunity to earn an annual cash bonus that vests over time. We intend to maintain competitive compensation and benefit programs.

Clients

We provide our services to a diverse client base in a broad range of industries. Since the beginning of fiscal 2000, we have served over 1,500 clients, including 26 of the Fortune 50 companies, 43 of the Fortune 100, 15 of the Fortune e50 Index, seven of Fortune's 10 Most Admired Companies and three of the Big Five accounting firms. Our revenues are not concentrated with any particular client or clients, or within any particular industry. In fiscal 2000, no single client accounted for more than 4% of our revenues and the top

10 clients accounted for approximately 13% of our revenues. The following is a list of some representative clients we provided services to in fiscal 2000:

Air BP, a subsidiary of BP Amoco	Credit Suisse First Boston Corporation
Aventis Pharmaceuticals	Kaiser Permanente Insurance Company
Banc of America Securities LLC	Nordstrom
CB Richard Ellis	UCLA Medical Center

Services

Our current professional services capabilities include accounting and finance, human capital management and information technology. Our engagements are project-based and often last three months or longer.

Accounting and Finance

In fiscal 2000, we generated $118.8 million in revenue from providing accounting and finance services, representing 94.1% of our total revenues in that fiscal year. Types of these services include:

Special Projects: Our accounting and finance associates work on a variety of special projects including:

- financial analyses, such as product costing and margin analyses;
- tax-related projects, such as tax compliance and analysis of tax liabilities resulting from acquisitions; and
- resolving complex accounting problems, such as large out-of-balance accounts and unreconciled balances.

Sample Engagement: We have provided two associates over a 14-month period to assist the global operations and finance group of a major bank in establishing a cash management system which would be used to monitor its daily cash needs in U.S. dollars and various foreign currencies. Our associates were responsible for:

- reviewing the daily trades of foreign securities and projecting the surplus/shortfall for the various currencies resulting from these trades;
- recommending transfers, purchases of foreign currencies and borrowings; and
- redesigning and testing systems to accurately report foreign currency activities.

Mergers and Acquisitions: Our accounting and finance associates have assisted with the following functions for clients involved in mergers and acquisitions:

- due diligence work;
- integration of financial reporting and accounting systems; and
- public reporting filings associated with the transaction.

Sample Engagement: Since March 2000, we have provided 53 associates to assist with the post-acquisition integration of a multi-billion dollar solid waste management company. Our services were delivered through 19 of our offices with coordination provided by one of our offices. We assigned a specially designated project manager to oversee the delivery of our services, thereby facilitating project management and client control. Our associates were responsible for:

- performing controller responsibilities at various sites, including preparing internal financial statements, closing the general ledger and managing the accounting staff;
- restructuring the fixed asset reporting system;
- assisting with the transition of financial functions during the divestiture of solid waste facilities and closing of other facilities;

- assisting with converting the newly acquired facilities' systems to the parent's systems; and

- preparing fuel tax returns and related tax schedules.

Finance and Accounting System Implementation and Conversion: When a company implements a new system, the conversion often entails additional work that burdens management's time. To address this problem, we provide associates that:

- assist with the finance and accounting issues of system implementations; and

- maintain daily operations during the implementation and conversion process in order to minimize disruption to the organization.

Sample Engagement: We have provided 15 associates over a 14-month period to assist one of the world's largest energy groups in converting to a new proprietary accounting software system through operations worldwide, developing the relevant required software documentation and relocating its accounting and commercial services departments between two metropolitan areas. Our associates were responsible for:

- documenting and preparing a flowchart of the accounting system and existing business processes, practices and workflows;

- reviewing internal controls and developing an operations manual;

- documenting the new accounting system processes and procedures;

- performing pre- and post-conversion testing;

- hiring and training new employees; and

- designing training programs.

Periodic Accounting and Finance Needs: Our associates help clients with periodic needs such as:

- interim senior financial management, including controller or accounting manager tasks;

- monthly/quarterly/year-end closings;

- audit preparation;

- public reporting; and

- budgeting and forecasting.

Sample Engagement: We have provided 40 associates over a 19-month period to assist a multi-unit medical company, currently under reorganization, with a comprehensive review and clean-up of the company's consolidated balance sheet in preparation for their year-end audit. Our associates were responsible for:

- designing a work program and package format to be used by 23 associates in teams across six states;

- completing a detailed review of approximately 180 entities' balance sheets, compiling documentation, and obtaining support for the entire trial balance; and

- proposing adjusting entries and recommending subsequent internal accounting control system and procedure changes.

Assist Start-Ups: We provide accounting and finance professional services to start-up companies who do not yet have the appropriate management or staff to support their accounting and finance functions.

Sample Engagement: We have provided two associates over a nine-month period to assist an Internet incubator that provides services to start-up companies in setting up its accounting function. Our associates were responsible for:

- designing a scalable general ledger system to accommodate multiple entities;

- setting up the accounts payable system for all entities including check disbursements and wire transfers of funds;

- designing a system for processing semi-monthly payroll;

- developing cash receipts function including the performance of all treasury functions (collections, deposits, investments); and

- creating a model for projecting cash flows from individual entities.

Human Capital Management

Our human capital management professional services group was formed in June 1999. These services are currently available in nine of our offices. In fiscal 2000, we generated $2.3 million in revenue from our human capital management service line, representing 1.8% of our total revenues in that fiscal year. Types of services include:

- development of human capital management procedures, training and policies;

- compensation program design and implementation;

- interim senior human resources management; and

- assistance in complying with governmental employment regulations.

Sample Engagement: We have provided three associates over a three-month period to assist a leading provider of business information and related products and services with a number of projects. Our associates were responsible for:

- evaluating the existing human resources information system, or HRIS;

- reviewing vendors and implementing a new HRIS system;

- updating human resources policies and procedures to reflect consistent corporate policies across numerous acquired companies; and

- evaluating the various retirement benefits for each of the multiple subsidiaries and acquired companies.

Information Technology

Our information technology professional services group was formed in June 1998. These services are currently available in eight of our offices. In fiscal 2000, we generated $5.2 million in revenue from our information technology service line, accounting for 4.1% of our total revenues. Types of these services include:

- providing interim information technology management such as interim chief technology officers and chief information officers;

- leading systems selection process; and

- assisting with project management of information systems implementations, conversions and upgrades.

Sample Engagement: Resources Connection provided an interim chief information officer with significant foodservice operations/restaurant experience over a 21-month period to support a rapidly growing chain of upscale restaurants with 106 locations in 22 states. Our associate was responsible for:

- designing technology initiatives;

- establishing and maintaining an information technology department capable of supporting and delivering technology solutions;

- monitoring and guiding multiple project teams;

- communicating with various business units; and

- prioritizing projects and resources.

Operations

We generally provide our professional services to clients at a local level through our 38 offices, with the oversight and consultation of our corporate management team located in our corporate service center. The office director and client service manager in each office are responsible for initiating client relationships, providing associates specifically skilled to perform client projects, ensuring client satisfaction throughout engagements and maintaining client relationships post-engagement. Throughout this process, the corporate management team is available to consult with the office director with respect to client services.

Our offices are operated in a decentralized, entrepreneurial manner. Our office directors are given significant autonomy in the daily operations of their respective offices, and with respect to such offices, are responsible for overall guidance and supervision, budgeting and forecasting, sales and marketing, pricing and hiring. We believe that a substantial portion of the buying decisions made by our clients are made on a local or regional basis and that our offices most often compete with other professional services providers on a local or regional basis. Since our office directors are in the best position to understand the local and regional outsourced professional services market and clients often prefer local providers, we believe that a decentralized operating environment maximizes operating performance and contributes to employee and client satisfaction.

We believe that our ability to successfully deliver professional services to clients is dependent on our office directors working together as a collegial and collaborative team, at times working jointly on client projects. To build a sense of team effort and increase camaraderie among our office directors, we have an incentive program for our office management which awards annual bonuses based on both the performance of the company and the performance of the manager's particular office. In addition, each member of our office management owns equity in our company. We also have a management mentor program whereby each new office director is trained by an experienced office director, who is responsible for providing support to the new office director on an ongoing basis.

From our corporate headquarters in Costa Mesa, California, we provide our offices with centralized administrative, marketing, finance and legal support. Our financial reporting is centralized in our corporate service center. This center also handles billing, accounts payable and accounts receivable, and administers human resources including employee compensation and benefits. In addition, we have a corporate networked information technology platform with centralized financial reporting capabilities and a front office client management system. These centralized functions minimize the administrative burdens on our office management and allow them to spend more time focusing on client development.

Business Development

Our business development initiatives are comprised of:

- local sales initiatives focused on existing clients and target companies;
- brand marketing activities; and
- national and local direct mail programs.

Our business development efforts are driven by the networking and sales efforts of our management. The office director and client service manager in each of our offices develop a list of targeted potential clients and key existing clients. They are responsible for initiating and fostering relationships with the senior management of these companies. These local efforts are supplemented with national marketing assistance. We have a national business development director who, with our top executives, assists with major client opportunities. We believe that these efforts have been effective in generating incremental revenues from existing clients and developing new client relationships.

Our brand marketing initiatives help develop Resources Connection's image in the markets we serve. Our brand is reinforced by our professionally-designed website, brochures and pamphlets, direct mail and advertising

materials. We believe that our branding initiatives coupled with our superior client service differentiate us from our competitors and establish Resources Connection as a credible and reputable professional services firm.

Our national marketing group develops our direct mail campaigns to focus on our targeted client and associate populations. These campaigns are intended to support our branding, sales and marketing, and associate hiring initiatives.

Competition

We operate in a competitive, fragmented market and compete for clients and associates with a variety of organizations that offer similar services. Our principal competitors include:

- consulting firms;
- loaned employees of the Big Five accounting firms;
- traditional and Internet-based staffing firms; and
- the in-house resources of our clients.

We compete for clients on the basis of the quality of professionals, the timely availability of professionals with requisite skills, the scope and price of services, and the geographic reach of services. We believe that our attractive value proposition, comprised of our highly-qualified associates, relationship-oriented approach, and professional culture, enables us to differentiate ourselves from our competitors. Although we believe we compete favorably with our competitors, many of our competitors have significantly greater financial resources, generate greater revenues and have greater name recognition than our company.

Employees

As of August 26, 2000, we had a total of 1,753 employees, including 237 corporate and office-level employees and 1,516 professional services associates. None of our employees is covered by a collective bargaining agreement.

Facilities

We maintain 35 domestic offices in the following metropolitan areas:

Phoenix, Arizona	Atlanta, Georgia	New York, New York
Costa Mesa, California	Honolulu, Hawaii	Charlotte, North Carolina
Los Angeles, California	Boise, Idaho	Cincinnati, Ohio
Santa Clara, California	Chicago, Illinois (2 locations)	Cleveland, Ohio
San Diego, California	Boston, Massachusetts	Portland, Oregon
San Francisco, California	Baltimore, Maryland	Philadelphia, Pennsylvania
Denver, Colorado	Detroit, Michigan	Pittsburgh, Pennsylvania
Hartford, Connecticut	Minneapolis, Minnesota	Austin, Texas
Stamford, Connecticut	Las Vegas, Nevada	Dallas, Texas
Washington, D.C.	Parsippany, New Jersey	Houston, Texas (2 locations)
Orlando, Florida	Princeton, New Jersey	Seattle, Washington

In addition to housing our Costa Mesa, California practice, our corporate offices are located in Costa Mesa, California in a 16,366 square foot facility under a lease expiring in April 2005. We maintain three offices abroad, including an office in Toronto, Canada; Taipei, Taiwan; and Hong Kong, People's Republic of China.

Legal Proceedings

We are not currently subject to any material legal proceedings; however, we may from time to time become a party to various legal proceedings arising in the ordinary course of our business.

Executive Officers and Directors

The following table sets forth information about our executive officers and directors as of August 26, 2000:

Name	Age	Position
Donald B. Murray.....	53	Chairman of the Board of Directors, Chief Executive Officer, President and Director
Stephen J. Giusto.....	37	Chief Financial Officer, Executive Vice President of Corporate Development, Secretary and Director
Karen M. Ferguson.....	36	Executive Vice President and Director
Brent M. Longnecker.....	44	Executive Vice President
John D. Bower.....	39	Vice President, Finance
Kate W. Duchene.....	37	Chief Legal Officer, Executive Vice President of Human Relations and Assistant Secretary
David G. Offensend.....	47	Director
Ciara A. Burnham.....	33	Director
Gerald Rosenfeld.....	53	Director
Leonard Schutzman.....	53	Director
John C. Shaw.....	66	Director
C. Stephen Mansfield....	60	Director

Donald B. Murray. Mr. Murray co-founded Resources Connection in June 1996 and served as our Managing Director from inception until April 1999. Mr. Murray has served as our Chairman, Chief Executive Officer and President since the management buyout in April 1999. Prior to founding Resources Connection, Mr. Murray was Partner-In-Charge of Accounting and Assurance Services for Deloitte & Touche's Orange County, California office from 1988 to 1996. From 1984 to 1987, Mr. Murray was the Partner-In-Charge of the Touche Ross & Co. Woodland Hills office, an office he founded in 1984. Mr. Murray was admitted to the Deloitte & Touche partnership in 1983.

Stephen J. Giusto. Mr. Giusto co-founded Resources Connection in June 1996 and served as our National Director of Operations from inception until April 1999. Mr. Giusto has served as our Chief Financial Officer, Executive Vice President of Corporate Development and Secretary since April 1999. Mr. Giusto is also a director of Resources Connection, a position he has held since April 1999. Prior to founding Resources Connection, Mr. Giusto was in Deloitte & Touche's Orange County real estate practice from 1992 to 1996. He also previously served for two years in the Deloitte & Touche national office in the Office of the Managing Partner. Mr. Giusto was admitted to the Deloitte & Touche partnership in 1996.

Karen M. Ferguson. Ms. Ferguson co-founded Resources Connection in June 1996. From inception to August 1998, Ms. Ferguson served as Managing Director of our Northern California practice. She currently serves as the Managing Director of our New York area practice and as an Executive Vice President, positions she has held since August 1998 and April 1999, respectively. Ms. Ferguson is also a director of Resources Connection, a position she has held since April 1999. Prior to joining us, Ms. Ferguson was a director with Accounting Solutions, a regional Northern California contract staffing firm from 1994 to 1995. From 1985 to 1994 Ms. Ferguson was in the San Francisco office of Deloitte & Touche, most recently as a Senior Manager.

Brent M. Longnecker. Mr. Longnecker is as an Executive Vice President of Resources Connection, a position he has held since June 1999. From 1985 to 1999, Mr. Longnecker held various positions at KPMG and Deloitte & Touche, most recently as Partner-In-Charge of the performance management and compensation consulting practices at Deloitte & Touche. Mr. Longnecker also serves on the faculty of Certified Professional Education, Inc. and as a director of the Strategy Factory, Inc. and SkyAuction.com, Inc.

John D. Bower. Mr. Bower is our Vice President, Finance, a position he has held since April 1999. Mr. Bower served as our Director of Financial Reporting and Controller from January 1998 to April 1999. Mr. Bower served as Vice President, Finance of Mossimo, Inc., a clothing manufacturing company, from January 1997 to November 1997 and as Director, Finance for FHP International Corporation, a health maintenance organization, from June 1992 to January 1997. From 1982 through 1992, Mr. Bower worked in the Orange County, California office of Deloitte & Touche, most recently as a Senior Manager.

Kate W. Duchene. Ms. Duchene is our Chief Legal Officer, a position she has held since December 1999. Ms. Duchene is also our Assistant Secretary and Executive Vice President, Human Relations, positions she has held since August 2000. Prior to joining Resources Connection, Ms. Duchene practiced law with O'Melveny & Myers LLP in Los Angeles, California, specializing in labor and employment matters. Ms. Duchene was with O'Melveny & Myers LLP from October 1990 through December 1999, most recently as a Special Counsel.

David G. Offensend. Mr. Offensend is a director of Resources Connection, a position he has held since April 1999. Mr. Offensend is one of the founding principals of Evercore Partners and a managing member of the general partner of Evercore Capital Partners L.P. Prior to founding Evercore Partners in 1995, Mr. Offensend was Vice President of Keystone Inc., the investment organization of Robert M. Bass. Prior to joining Keystone in 1990, Mr. Offensend was a Managing Director of Lehman Brothers where he was President and Chief Executive Officer of the Lehman Brothers Merchant Banking Partnerships. Mr. Offensend is also a director of Specialty Products & Insulation Co.

Ciara A. Burnham. Ms. Burnham is a director of Resources Connection, a position she has held since April 1999. Since July 1997, she has been a managing director of Evercore Capital Partners LLP. From March 1996 to July 1997, Ms. Burnham was an equity research analyst with Sanford C. Bernstein & Co., an investment banking firm. From 1993 to 1996, she was employed by McKinsey & Co. in various capacities, including engagement manager. Ms. Burnham also serves on the board of directors of Skyauction.com, Inc.

Gerald Rosenfeld. Mr. Rosenfeld is a director of Resources Connection, a position he has held since April 1999. Mr. Rosenfeld is the Chief Executive Officer of Rothschild North America, a position he has held since January 2000. Previously, from November 1998 to January 2000, he was the Managing Member of G. Rosenfeld & Co. LLC, an investment banking and consulting firm. Prior to that time, Mr. Rosenfeld was Senior Managing Director of NationsBanc Montgomery Securities LLC from April to November 1998, and a Managing Director and head of Investment Banking of Lazard Freres & Co. LLC from 1992 to 1998. Mr. Rosenfeld is also a director of ContiGroup, Inc.

Leonard Schutzman. Mr. Schutzman is a director of Resources Connection, a position he has held since April 1999. From April 1999 to November 1999, Mr. Schutzman was a member of Venture Marketing Group LLC. From 1976 to 1993, he held several positions at Pepsi-Co., Inc., most recently as Senior Vice President and Treasurer. Mr. Schutzman also serves on the board of directors of BML Pharmaceutical, Inc. and SkyAuction.com, Inc. He is a member of the board of advisors of Evercore Capital Partners LLP.

John C. Shaw. Mr. Shaw is a director of Resources Connection, a position he has held since June 1999. Mr. Shaw currently also serves as a partner of The Shaw Group LLC, a general management and consulting company he founded in February 1997. From February 1997 to December 1999, Mr. Shaw served as the Dean of the Peter F. Drucker Graduate School of Management at Claremont Graduate University. In addition, from November 1994 to February 1997, Mr. Shaw served as Chairman of Wellpoint Health Networks, Inc., a managed health care company.

C. Stephen Mansfield. Mr. Mansfield is a director of Resources Connection, a position he has held since August 2000. Mr. Mansfield is a lecturer at California Polytechnic State University, San Luis Obispo, a position he has held since 1999. From 1983 to 1989, Mr. Mansfield was the Partner-In-Charge of the Deloitte, Haskins & Sells Orange County office. Mr. Mansfield retired from Deloitte & Touche LLP in 1990, as a senior partner. Mr. Mansfield is also a director of PBOC Holdings, Inc.

Board Composition

Upon the closing of this offering, in accordance with the terms of our amended and restated certificate of incorporation, the terms of office of our board of directors will be divided into three classes:

- Class I directors, whose term will expire at the annual meeting of stockholders to be held in 2001;
- Class II directors, whose term will expire at the annual meeting of stockholders to be held in 2002; and
- Class III directors, whose term will expire at the annual meeting of stockholders to be held in 2003.

Our Class I directors will be Ms. Ferguson, Mr. Mansfield and Mr. Schutzman, our Class II directors will be Ms. Burnham, Mr. Giusto and Mr. Shaw, and our Class III directors will be Mr. Murray, Mr. Offensend and Mr. Rosenfeld. At each annual meeting of stockholders after the initial classification, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control or management of our company.

Board Committees

At the time this offering closes, our board of directors will establish an audit committee. The audit committee will consist of Mr. Mansfield, Mr. Rosenfeld and Mr. Shaw. The audit committee will make recommendations to our board of directors regarding the selection of independent auditors, review the results and scope of the audit and other services provided by our independent auditors, and review and evaluate our audit and control functions.

We do not have a compensation committee and our board of directors makes all decisions concerning executive compensation. At the time this offering closes, our board of directors will establish a compensation committee consisting of the following directors: Mr. Offensend, Mr. Rosenfeld and Mr. Shaw. The compensation committee will make recommendations regarding our equity compensation plans and make decisions concerning salaries and incentive compensation for our employees and consultants.

Compensation Committee Interlocks and Insider Participation

None of the members of the compensation committee of our board of directors is an officer or employee of our company. No executive officer of our company serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our compensation committee.

Director Compensation

Our directors do not currently receive any cash compensation for services on our board of directors or any committee thereof, but directors have been reimbursed for expenses they incur in attending board and committee meetings. Mr. Shaw has participated in the 1999 Long-Term Incentive Plan.

After this offering, our compensation package for our non-employee directors will include:

- $12,000 per year to be paid in cash or discounted stock options;
- a one-time grant of 5,000 shares at the time a director joins the board;
- discretionary stock option grants; and
- reimbursement for expenses they incur in attending board and committee meetings.

Directors who serve on committees may receive a flat fee of $300 per committee meeting attended as well.

Executive Compensation

Summary of Compensation

The following table sets forth summary information concerning compensation awarded to, earned by, or accrued for services rendered to us in all capacities during fiscal 2000 by our Chief Executive Officer and the five other most highly compensated officers whose total salary and bonuses exceeded $100,000 in fiscal 2000. The individuals listed in the table below are collectively referred to as the named executive officers.

Summary Compensation Table

	Annual Compensation			
Name and Principal Position	Salary	Bonus	Other	Total
Donald B. Murray, Chief Executive Officer	$425,000	$212,500(1)	$ 0	$637,500
Stephen J. Giusto, Chief Financial Officer	$250,000	$125,000(1)	$ 0	$375,000
Karen M. Ferguson, Executive Vice President	$200,000	$130,000(2)	$ 0	$330,000
Brent M. Longnecker, Executive Vice President	$300,000	$150,000(2)	$50,000(3)	$500,000
John D. Bower, Vice President, Finance	$ 99,039	$ 62,800(1)	$ 0	$161,839
David L. Schnitt, former National Director of Information Technology Services(4)	$126,922	$ 64,000(2)	$ 0	$190,922

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(1) Consists of bonuses earned in fiscal 2000 and paid in fiscal 2001.

(2) Consists of bonuses earned in fiscal 2000 and paid in part in fiscal 2000 and in part in fiscal 2001.

(3) In May 1999, Mr. Longnecker received a loan in the amount of $200,000 from the company. On January 1, 2000, Resources Connection forgave $50,000 of the loan.

(4) Mr. Schnitt served as our National Director of Information Technology Services from April 1999 to April 2000. He is currently on an unpaid leave of absence from Resources Connection and is serving as the chief executive officer of Complete Backoffice.com, Inc.

Stock Options and Long-Term Incentive Awards

No options or long-term incentive awards were granted to named executive officers during fiscal 2000.

Exercise of Options And Year-End Values

No stock options have been exercised since our inception.

Employee Benefit Plans

1998 Employee Stock Purchase Plan

In December 1998, we adopted the Resources Connection, Inc. 1998 Employee Stock Purchase Plan, or the 1998 Employee Stock Purchase Plan, to provide an additional means to attract, motivate, reward and retain officers and management-level employees. The plan gives the administrator the authority to grant awards to select participants. We do not, however, anticipate granting any additional awards under the 1998 Employee Stock Purchase Plan. The following summary is qualified by reference to the complete plan, which is filed hereto as an exhibit.

Share Limits. A total of 5,630,000 shares of our common stock may be issued under the plan (not including shares that are repurchased by us which upon repurchase become again available for issuance). This share limit and the number of shares subject to each award under the plan is subject to adjustment for certain changes in our capital structure, reorganizations and other extraordinary events.

Awards. An award under the plan gives the participant the right to acquire a specified number of shares of our common stock, at a specified price, for a limited period of time. Officers and management-level

employees of Resources Connection, Inc. may be selected to receive awards under the plan. The purchase price for each share of stock acquired under the plan must be at least 85% (100% in the case of an owner of 10% or more of the voting stock of Resources Connection, Inc.) of the fair market value of the stock on the date the related award was granted. Awards under the plan generally are nontransferable. The stock purchased on exercise of an award generally will be subject to a vesting schedule--20% of the shares of stock purchased on exercise of the award generally will vest each year following the exercise of the award and the shares will fully vest on the fifth anniversary of the participant's hire date with Resources Connection. If the participant's employment terminates before his or her stock is fully vested, we generally may repurchase the unvested stock for the price that participant paid to acquire the stock. The administrator may accelerate the vesting of stock acquired under the plan in the event of a change in control.

Administration. A committee of one or more directors appointed by the board will administer the plan. The administrator of the plan has broad authority to approve awards and determine the specific terms and conditions of awards, and construe and interpret the plan. Our board of directors may amend, suspend or discontinue the plan at any time. Plan amendments will generally not be submitted to stockholders for their approval unless applicable law requires such approval.

Certain Specific Awards. As of August 26, 2000, 5,630,000 shares had been acquired under the plan, of which 1,895,600 had become vested and 3,734,400 were not yet vested, no shares were subject to outstanding but unexercised awards, and no shares remained available for award purposes under the plan.

1999 Long-Term Incentive Plan

In June 1999, our board of directors adopted the 1999 Long-Term Incentive Plan to provide an additional means to attract, motivate, reward and retain key personnel. The plan was approved by our stockholders on June 17, 1999. The plan gives our board of directors, or a committee appointed by our board of directors, the authority to determine who may participate in the plan and to grant different types of stock incentive awards. Employees, officers, directors, and consultants of Resources Connection or one of our subsidiaries may be selected to receive awards under the plan. The following summary is qualified by reference to the complete plan, which is filed hereto as an exhibit.

Share Limits. We initially reserved a total of 2,340,000 shares of our common stock for issuance under the plan. In August 2000, we increased this number to 5,040,000 shares. Our board of directors has authorized our management to further increase the number of shares reserved for issuance under the plan to . The aggregate number of shares subject to stock options and stock appreciation rights granted under the plan to any one person in a calendar year cannot exceed 200,000 shares.

Awards. Awards under the plan may be in the form of nonqualified stock options, incentive stock options, stock appreciation rights, or SARs, limited stock appreciation rights or SARs limited to specific events, such as in a change in control or other special circumstances, restricted stock, performance share awards, or stock bonuses. Awards under the plan generally will be nontransferable.

Nonqualified stock options and other awards may be granted at prices below the fair market value of the common stock on the date of grant. Restricted stock awards can be issued for nominal or the minimum lawful consideration. Incentive stock options must have an exercise price that is at least equal to the fair market value of the common stock, or 110% of fair market value of the common stock for any 10% owners of our common stock, on the date of grant. These and other awards may also be issued solely or in part for services.

Administration. Our board of directors, or a committee of directors appointed by the board, has the authority to administer the plan. The administrator of the plan has broad authority to:

- designate recipients of awards;
- determine or modify, subject to any required consent, the terms and provisions of awards, including the price, vesting provisions, terms of exercise and expiration dates;
- approve the form of award agreements;

- determine specific objectives and performance criteria with respect to performance awards;

- construe and interpret the plan; and

- reprice, accelerate and extend the exercisability or term, and establish the events of termination or reversion of outstanding awards.

Change in Control. Upon a change in control event, the compensation committee may provide that each option and stock appreciation right will become immediately vested and exercisable, each award of restricted stock will immediately vest free of restrictions, and each performance share award will become payable to the holder of the award. Generally speaking, a change in control event will be triggered under the plan:

- upon stockholder approval of our dissolution or liquidation;

- upon stockholder approval of the sale of all or substantially all of our assets to an entity that is not an affiliate;

- upon stockholder approval of a merger, consolidation, reorganization, or sale of all or substantially all of our assets in which any person becomes the beneficial owner of 50% or more of our outstanding common stock.

Plan Amendment, Termination and Term. Our board of directors may amend, suspend or discontinue the plan at any time, but no such action will affect any outstanding award in any manner materially adverse to a participant without the consent of the participant. Plan amendments will be submitted to stockholders for their approval as required by applicable law.

The plan will terminate on June 16, 2009; however, the committee will retain its authority until all outstanding awards are exercised or terminated. The maximum term of options, SARs and other rights to acquire common stock under the plan is ten years after the initial date of the award, subject to provisions for further deferred payment in certain circumstances.

Payment for Shares. The exercise price of options or other awards may generally be paid in cash or, subject to certain restrictions, shares of our common stock. Subject to any applicable limits, we may finance or offset shares to cover any minimum withholding taxes due in connection with an award.

Federal Tax Consequences. The current federal income tax consequences of awards authorized under the plan follow certain basic patterns. Generally, awards under the plan that are includable in the income of the recipient at the time of exercise, vesting or payment (such as nonqualified stock options, stock appreciation rights, restricted stock and performance awards), are deductible by Resources Connection, and awards that are not required to be included in the income of the recipient (such as incentive stock options) are not deductible by Resources Connection.

Generally speaking, Section 162(m) of the Internal Revenue Code provides that a public company may not deduct compensation (except for certain compensation that is commission or performance-based) paid to its chief executive officer or to any of its four other highest compensated officers to the extent that the compensation paid to such person exceeds $1,000,000 in a tax year. The regulations exclude from these limits compensation that is paid pursuant to a plan in effect prior to the time that a company is publicly held. We expect that compensation paid under the plan will not be subject to Section 162(m) in reliance on this transition rule, as long as such compensation is paid (or stock options, stock appreciation rights, and/or restricted stock awards are granted) before the earlier of a material amendment to the plan or the annual stockholders meeting in the year 2004.

In addition, we may not be able to deduct certain compensation attributable to the acceleration of payment and/or vesting of awards in connection with a change in control event should that compensation exceed certain threshold limits under Section 280G of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code.

Certain Specific Awards. As of August 26, 2000, 2,129,000 shares of common stock were subject to outstanding options granted under the plan, 80,500 of which had vested and 2,048,500 of which were unvested, and 211,000 shares of common stock remained available for grant purposes under the plan. The outstanding options were granted for 10-year terms and at exercise prices between $3.00 and $5.00 per share. The shares covered by currently outstanding options represent the 10-year stock option grants authorized by our board of directors on June 17, 1999.

401(k) Plan

Resources Connection has a defined contribution 401(k) plan which covers all employees who have completed three months of service and are age 21 or older. Participants may contribute up to 15% of their annual salary or the maximum allowed by statute. As defined in the plan agreement, the company may make matching contributions in such amount, if any, up to 6% of employees' annual salaries. We may, at our sole discretion, determine the matching contribution made from year to year. To receive a matching contribution, an employee must be employed by us on the last day of the fiscal year.

Employment Agreements

We have entered into employment agreements with Mr. Murray, Mr. Giusto, Ms. Ferguson and Mr. Longnecker. Certain aspects of these employment agreements are specific to the agreement:

Mr. Murray. Pursuant to his employment agreement, Mr. Murray serves as our Chief Executive Officer and receives an annual base salary of $425,000. The employment agreement has an initial term ending on March 31, 2004. If any payment Mr. Murray receives pursuant to his employment agreement is deemed to constitute "excess parachute payment" under Section 280G of the Internal Revenue Code, Mr. Murray is entitled to an excise tax gross-up payment not to exceed $1.0 million.

Mr. Giusto. Pursuant to his employment agreement, Mr. Giusto serves as our Chief Financial Officer and receives an annual base salary of $250,000. The employment has an initial term ending on March 31, 2002.

Ms. Ferguson. Pursuant to her employment agreement, Ms. Ferguson serves as an Executive Vice President and receives an annual base salary of $250,000, increased in June 2000 from an initial annual base salary of $200,000. The employment has an initial term ending on March 31, 2002. If Ms. Ferguson is terminated without cause, in addition to the severance payment described below, she will also receive reimbursement for her relocation expenses up to $100,000.

Mr. Longnecker. Pursuant to his employment agreement, Mr. Longnecker serves as an Executive Vice President and receives an annual base salary of $300,000. The employment has an initial term ending on April 30, 2002. If any payment Mr. Longnecker receives pursuant to his employment agreement is deemed to constitute "excess parachute payment" under Section 280G of the Internal Revenue Code, Mr. Longnecker is entitled to an excise tax gross-up payment not to exceed $750,000. Pursuant to his employment agreement, on May 1, 1999, we loaned $200,000 to Mr. Longnecker as further described in "Related-Party Transactions."

Each of the above-described employment agreements has the following uniform terms:

Automatic Renewal. Upon termination of the initial term of the employment agreement, the agreement will automatically renew for one year periods unless we or the employee or Resources Connection elect not to extend the agreement.

Termination Without Cause or Good Reason Resignation by Employee. In the event we do not renew the agreement or the employee is terminated other than for cause as defined in the agreement to include, among other things, conviction of a felony, fraudulent conduct, failure to perform duties or observe covenants of the agreement,

or theft, or if the employee terminates his or her employment for "good reason" defined in the agreement to include, among other reasons, a change in control, the employee will receive severance pay which includes:

- any accrued but unpaid base salary as of the date of the employee's termination;
- the earned but unpaid annual bonus, if any;
- the target annual incentive compensation, if any, that the employee would have been entitled to receive pursuant to the employment agreement in respect of the fiscal year in which the termination occurs; and
- the employee's then current base salary multiplied by the greater of either (1) two, for Mr. Giusto and Ms. Ferguson, or three, for Mr. Murray and Mr. Longnecker, and (2) the number of years (including fractions) remaining in the initial term of the agreement.

The employment agreements also provide that the employee shall be entitled to receive employee benefits to which the employee may be entitled under the employee benefit plans and continued participation in our group health insurance plans at our expense until the earlier of three years from the date of termination or the employee's eligibility for participation in the group health plan of a subsequent employer.

Indemnification of Directors and Executive Officers and Limitation on Liability

Our Amended and Restated Bylaws provide that we shall indemnify our directors and officers and may indemnify our other employees and agents to the fullest extent permitted by Delaware law, except with respect to proceedings initiated by these persons. We are also empowered under our bylaws to enter into indemnification contracts with our directors and officers and to purchase insurance on behalf of any person we are required or permitted to indemnify.

In addition, our Amended and Restated Bylaws provide that our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability:

- for any breach of the director's duty of loyalty to us or its stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- under Section 174 of the Delaware General Corporation Law; or
- for any transaction from which the director derives an improper personal benefit.

RELATED-PARTY TRANSACTIONS

The following is a description of transactions:

- to which we have been a party during the last three years;
- in which the amount involved exceeds $60,000; and
- in which any director, executive officer or holder of more than 5% of our capital stock had or will have a direct or indirect material interest.

You should also review certain arrangements with our executive officers that are described under "Management."

Registration Rights.

Pursuant to a Stockholders Agreement between the company and certain of our stockholders, if at any time after a public offering of our shares of common stock we propose to register our common stock under the Securities Act for our own account or the account of any of our stockholders or both, the stockholders party to the Stockholders Agreement are entitled to notice of the registration and to include registrable shares in that offering, provided that the underwriters of that offering have the right to limit the number of shares included in the registration. These registration rights will continue until the second anniversary of this offering. All holders with registration rights have agreed not to exercise their registration rights until 180 days following the date of this prospectus unless both Credit Suisse First Boston Corporation and Deutsche Bank Securities Inc. agree otherwise. After this offering, the following stockholders owning 5% or more of our outstanding shares, directors and officers will have these registration rights:

Name	Number of Registrable Shares of Common Stock
Donald B. Murray	54,690
Stephen J. Giusto	20,000
Brent M. Longnecker	75,000
John D. Bower	4,690
Gerald Rosenfeld	185,010
Entities affiliated with Evercore Capital Partners L.L.C.	7,887,370

Longnecker Loan.

Pursuant to our employment agreement with Mr. Longnecker, on May 1, 1999, we loaned $200,000 to Mr. Longnecker. The loan is interest-free and matures on April 1, 2007. On January 1, 2000, $50,000 of the loan was forgiven as a portion of Mr. Longnecker's compensation. Additional amounts may be forgiven at the discretion of our chief executive officer. If Mr. Longnecker is terminated for cause, as defined in his employment agreement, or terminates his employment without good reason, as defined in his employment agreement, all remaining loan amounts owed will be due and payable.

Sale of Shares Pursuant to the 1998 Employee Stock Purchase Plan.

In November 1998, we formed RC Transaction Corp., renamed Resources Connection, Inc. In December 1998, we issued 5,243,000 shares of our common stock pursuant to the 1998 Employee Stock Purchase Plan to certain members of our management for an aggregate purchase price of $52,430. Between January and

February 1999, we issued and sold the remaining 387,000 shares of our common stock to certain members of our management for an aggregate purchase price of $3,870. Directors and officers who participated in these transactions include:

Name	Number of Shares of Common Stock Acquired
Donald B. Murray	1,450,600
Stephen J. Giusto	400,000
Karen M. Ferguson	355,000
Brent M. Longnecker	200,000
John D. Bower	70,000
Kate W. Duchene	20,000

Management-led Buyout.

In April 1999, we entered into a series of transactions pursuant to which we purchased all of the membership units of Resources Connection LLC from Deloitte & Touche. We financed the purchase in part with capital provided by our management and an investor group led by Evercore Capital Partners L.L.C. and certain of its affiliates. We issued and sold 9,855,260 shares of our Common Stock and 144,740 shares of our Class B Common Stock to 22 accredited investors and 30 additional investors. Simultaneously, we issued and sold subordinated notes, bearing 12% annual interest with a maturity date of April 1, 2004, in an aggregate principal amount of $22.0 million to the same investors. We intend to use the proceeds of this offering to prepay the outstanding principal and all accrued and unpaid interest on the notes. Stockholders owning 5% or more of our outstanding shares, directors and officers who participated in these transactions include:

Name	Number of Shares of Common Stock Acquired	Number of Shares of Class B Common Stock Acquired	Aggregate Principal Amount of Subordinated Notes Acquired
Donald B. Murray	54,690	0	$ 120,318
Stephen J. Giusto	20,000	0	$ 44,000
Brent M. Longnecker	75,000	0	$ 165,000
John D. Bower	4,690	0	$ 10,318
Gerald Rosenfeld	185,010	0	$ 239,990
Entities affiliated with Evercore Capital Partners L.L.C.	7,742,630	144,740	$17,889,654

Options Granted to Our Chief Legal Officer and Executive Vice President, Human Relations

In December 1999, we granted Ms. Duchene options to purchase up to 50,000 shares of our common stock at an exercise price of $3.00 per share. The options vest 25% each year on the anniversary date of the grant. At the initial offering price, the aggregate value of these options, less aggregate exercise price, is $.

Relationship Between Our Financial Printing Company and Our Chief Legal Officer/Executive Vice President, Human Relations.

In connection with this offering, we have hired R.R. Donnelley Financial Printing, or Donnelley, to provide printing and related services. We estimate that the total amount we will pay to Donnelley for its services in connection with this offering will be $. The spouse of Ms. Duchene is employed by Donnelley. We may engage Donnelley in the future to provide additional printing and related services.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table contains information about the beneficial ownership of our common stock before and after our initial public offering for:

- each person who beneficially owns more than five percent of the common stock;
- each of our directors;
- each named executive officer and each executive officer;
- all directors, named executive officers and executive officers as a group; and
- all selling stockholders.

Unless otherwise indicated, the address for each person or entity named below is c/o Resources Connection, Inc., 695 Town Center Drive, Suite 600, Costa Mesa, California 92626.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Except as indicated by footnote, and except for community property laws where applicable, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. The table assumes no exercise of the underwriters' over-allotment option. If the underwriters' over-allotment option is exercised in full, the selling stockholders will sell up to an aggregate of additional shares of common stock on a pro rata basis. The percentage of beneficial ownership before the offering is based on 15,630,000 shares of common stock outstanding as of August 26, 2000.

PRINCIPAL AND SELLING STOCKHOLDER TABLE

	Number of Shares Beneficially Owned		Percentage of Shares Outstanding		
	Before Offering	After Offering	Before Offering	After Offering	Number of Shares to be Sold in Offering
Donald B. Murray.....	1,505,290	1,505,290	9.63%		--
Stephen J. Giusto.....	420,000	420,000	2.69%		--
Karen M. Ferguson.....	355,000	355,000	2.27%		--
Brent M. Longnecker.....	275,000	275,000	1.76%		--
John D. Bower.....	74,690	74,690	*		--
Kate W. Duchene.....	20,000	20,000	*		--
David G. Offensend(1)...	7,887,370	7,887,370	50.46%		--
Ciara A. Burnham(1).....	7,887,370	7,887,370	50.46%		--
Gerald Rosenfeld.....	185,010		1.18%		--
Leonard Schutzman(1)....	--	--	*		--
John C. Shaw(2).....	7,500	7,500	*		--
C. Stephen Mansfield....	--	--	*		--
David L. Schnitt(3).....	276,250	276,250	1.77%		--
Named Executive Officers, Executive Officers and Directors as a group (11 persons).....	3,118,740		19.94%		
Evercore Partners L.L.C.(1).....	7,887,370		50.46%		
DB Capital Investors, LP(4).....	382,480		2.45%		
BancBoston Investments Inc.(5).....	382,480		2.45%		
Mainz Holdings Ltd.(6)..	370,030		2.37%		
Richard D. Gersten(7)...	10,880		*		
Paul S. Lattanzio(8)....	87,070		*		

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* Represents less than 1%.

(1) Shares shown as owned by Evercore Partners L.L.C. are the aggregate number of shares owned of record by Evercore Capital Partners L.P., Evercore Capital Partners (NQ) L.P., Evercore Capital Offshore Partners L.P. and Evercore Co-Investment Partnership L.P., or, collectively, the Evercore Investors. Evercore Partners L.L.C. is directly or indirectly the general partner of each of the Evercore Investors. David G. Offensend, a managing member of Evercore Partners L.L.C., may be deemed to share beneficial ownership of any shares beneficially owned by Evercore Partners L.L.C., but hereby disclaims such beneficial ownership, except to the extent of his pecuniary interest in the Evercore Investors or Evercore Partners L.L.C. Ciara A. Burnham and Leonard Schutzman are director nominees and are executives of, or consultants to, Evercore Partners, Inc. Ms. Burnham and Mr. Schutzman disclaim beneficial ownership of any shares beneficially owned by Evercore Partners L.L.C., except to the extent of his or her pecuniary interest in the Evercore Investors or Evercore Partners L.L.C. The address for Evercore Partners L.L.C. is 65 East 55th Street, 33rd Floor, New York, New York 10022. The address for Mr. Offensend, Ms. Burnham and Mr. Schutzman is c/o Evercore Partners L.L.C.

(2) Mr. Shaw has been a director of Resources Connection since June 1999. Mr. Shaw has 7,500 shares of common stock subject to options exercisable within 60 days of August 26, 2000. Mr. Shaw's address is The Shaw Group LLC, P.O. Box 3369, Newport Beach, California 92659.

(3) Mr. Schnitt's address is c/o Ledgent, Inc., 1111 Knox Street, Torrance, California 90502.

(4) DB Capital Investors, LP has been a stockholder of Resources Connection since April 1999 and acquired its shares in connection with the management-led buyout. The address for DB Capital Investors, LP is 130 Liberty Street, 25th Floor, New York, New York 10006.

(5) BancBoston Investments Inc. has been a stockholder of Resources Connection since April 1999 and acquired its shares in connection with the management-led buyout. The address for BancBoston Investments Inc. is 175 Federal Street, Boston, Massachusetts 02110.

(6) Mainz Holdings has been a stockholder of Resources Connection since April 1999 and acquired its shares in connection with the management-led buyout. The address for Mainz Holdings is UMS Universal Management Services, 6 Rue du Nant, P.O. Box 6184, 1211 Geneva 6, Switzerland.

(7) Mr. Gersten has been a stockholder of Resources Connection since April 1999 and acquired his shares in connection with the management-led buyout. Mr. Gersten's address is c/o North Castle Partners, LLC, 60 Arch Street, Greenwich, Connecticut 06830.

(8) Mr. Lattanzio has been a stockholder of Resources Connection since April 1999 and acquired his shares in connection with the management-led buyout. Mr. Lattanzio's address is c/o TD Capital, 31 W. 52nd Street, New York, New York 10019.

DESCRIPTION OF CAPITAL STOCK

Prior to the closing of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock consists of 35,000,000 shares of common stock, $0.01 par value per share, and 5,000,000 shares of preferred stock, $0.01 par value per share. Our common stock is divided into three classes, Common Stock, of which there are 25,000,000 shares designated and 15,485,260 shares issued and outstanding; Class B Common Stock, of which there are 3,000,000 shares designated and 144,740 shares issued and outstanding; and Class C Common Stock, of which there are 7,000,000 shares designated and no shares issued and outstanding. We have issued options to purchase 2,129,000 shares of our Class C Common Stock. The rights of the holders of Common Stock and Class B Common Stock and Class C Common Stock are identical, except that each share of the Common Stock is entitled to one vote on all matters to be voted on by stockholders and each share of the Class B Common Stock and Class C Common Stock is non-voting. None of our authorized preferred stock has been designated and there are no shares of preferred stock issued and outstanding.

At the closing of this offering, all outstanding shares of our Class B Common Stock and Class C Common Stock will automatically convert to shares of our Common Stock. Immediately following the closing of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of 35,000,000 shares of common stock, $0.01 par value per share, and 5,000,000 shares of preferred stock, $0.01 par value per share. As of August 26, 2000, there were 15,630,000 shares of common stock outstanding, held of record by 118 stockholders, and options to purchase 2,129,000 shares of common stock.

Common Stock

Under the amended and restated certificate of incorporation, the holders of common stock are entitled to one vote per share on all matters to be voted on by the stockholders. After payment of any dividends due and owing to the holders of preferred stock, holders of common stock are entitled to receive dividends declared by the board of directors out of funds legally available for dividends. In the event of our liquidation, dissolution or winding up, holders of common stock are entitled to share in all assets remaining after payment of liabilities and liquidation preferences of outstanding shares of preferred stock. Holders of common stock have no preemptive, conversion, subscription or other rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are, and all shares of common stock to be outstanding upon completion of this offering will be, fully paid and nonassessable.

Preferred Stock

Under the amended and restated certificate of incorporation, the board has the authority, without further action by stockholders, to issue up to 5,000,000 shares of preferred stock. The board may issue preferred stock in one or more series and may determine the rights, preferences, privileges, qualifications and restrictions granted to or imposed upon the preferred stock, including dividend rights, conversion rights, voting rights, rights and terms of redemption, liquidation preferences and sinking fund terms, any or all of which may be greater than the rights of the common stock. The issuance of preferred stock could adversely affect the voting power of holders of common stock and reduce the likelihood that common stockholders will receive dividend payments and payments upon liquidation. The issuance of preferred stock could also have the effect of decreasing the market price of the common stock and could delay, deter or prevent a change in control of our company. We have no present plans to issue any shares of preferred stock.

The Notes

In April 1999, Resources Connection issued notes in the aggregate amount of $22.0 million consisting of junior subordinated debt of Resources Connection, to certain investors. The notes consist of a general, unsecured promise by Resources Connection to pay the holder of the note the principal amount of the note plus interest which shall accrue at 12% per annum based on a 360-day year. The notes will mature on or about April 15, 2004. The interest is payable quarterly; however, Resources Connection may, at its option, add the

amount of interest payable to the unpaid principal amount of the notes. Our senior credit facility prohibits payment of interest on the notes while any amounts are outstanding under the senior credit facility and that interest on the notes is, in fact, only to be paid by adding the amount thereof to the principal amount of the notes.

We intend to use the proceeds of this offering to pay the outstanding aggregate principal amount under our senior credit facility and to prepay $25.3 million outstanding under the Notes, which includes outstanding principal together with all accrued and unpaid interest on the notes.

The notes are junior subordinated debt, which means that the holders of senior indebtedness have priority in terms of payment and other rights over the holders of the notes. If we have funds that are insufficient to pay the holders of the notes in full, each holder is entitled to receive a pro rata payment based upon the aggregate unpaid principal amount held by each holder.

Registration Rights

Pursuant to a Stockholders Agreement between the company and certain of our stockholders, if at any time after a public offering of our shares of common stock we propose to register our common stock under the Securities Act for our own account or the account of any of our stockholders or both, the stockholders party to the Stockholders Agreement are entitled to notice of the registration and to include registrable shares in that offering, provided that the underwriters of that offering do not limit the number of shares included in the registration. The Stockholders Agreement will terminate upon the closing of this offering, however, the registration rights will continue until the second anniversary of the termination of the Stockholders Agreement. All holders with registration rights have agreed not to exercise their registration rights until 180 days following the date of this prospectus unless both Credit Suisse First Boston Corporation and Deutsche Bank Securities Inc. agree otherwise. The stockholders with these registration rights hold an aggregate of shares, after deducting shares to be sold pursuant to this offering by selling stockholders. We are required to bear substantially all costs incurred in these registrations, other than underwriting discounts and commissions. The registration rights described above could result in future expenses for us and adversely affect any future equity or debt offerings.

Anti-Takeover Provisions

Delaware Law

We are governed by the provisions of Section 203 of the Delaware Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A"business combination" includes mergers, asset sales or other transactions resulting in a financial benefit to the interested stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of the company's voting stock. The statute could delay, defer or prevent a change in control of our company.

Certificate of Incorporation and Bylaw Provisions

Various provisions contained in our amended and restated certificate of incorporation and bylaws could delay or discourage some transactions involving an actual or potential change in control of us or our management and may limit the ability of stockholders to remove current management or approve transactions that stockholders may deem to be in their best interests and could adversely affect the price of our common stock. These provisions:

- authorize our board of directors to establish one or more series of undesignated preferred stock, the terms of which can be determined by the board of directors at the time of issuance;

- divide our board of directors into three classes of directors, with each class serving a staggered three-year term. As the classification of the board of directors generally increases the difficulty of replacing a majority of the directors, it may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us and may maintain the composition of the board of directors;

- prohibit cumulative voting in the election of directors unless required by applicable law. Under cumulative voting, a minority stockholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors;

- require that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing;

- state that special meetings of our stockholders may be called only by the Chairman of the board of directors, our Chief Executive Officer, by the board of directors after a resolution is adopted by a majority of the total number of authorized directors, or by the holders of not less than 10% of our outstanding voting stock;

- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting;

- provide that certain provisions of our certificate of incorporation can be amended only by supermajority vote of the outstanding shares, and that our bylaws can be amended only by supermajority vote of the outstanding shares or our board of directors;

- allow our directors, not our stockholders, to fill vacancies on our board of directors; and

- provide that the authorized number of directors may be changed only by resolution of the board of directors.

The Nasdaq Stock Market's National Market

We have applied to list our common stock on The Nasdaq Stock Market's National Market under the trading symbol RECN.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock, and we cannot assure you that a significant public market for our common stock will develop or be sustained after this offering. As described below, no shares currently outstanding will be available for sale immediately after this offering due to certain contractual and securities law restrictions on resale. Sales of substantial amounts of our common stock in the public market after these restrictions lapse could adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering, we will have outstanding shares of common stock, assuming no exercise of the outstanding options to purchase 2,129,000 shares of our common stock. Of these shares, the shares offered for sale through the underwriters will be freely tradable without restriction under the Securities Act unless purchased by our affiliates or covered by a separate lock-up agreement with the underwriters.

The remaining shares of common stock held by existing stockholders are restricted securities. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration described below under Rules 144, 144(k) or 701 promulgated under the Securities Act.

As a result of the lock-up agreements described in "Underwriting" and the provisions of Rules 144, 144(k) and 701 described below, these restricted shares will be available for sale in the public market as follows:

- no shares may be sold prior to 180 days from the date of this prospectus;
- shares will have been held long enough to be sold under Rule 144 or Rule 701 beginning 181 days after the date of this prospectus; and
- the remaining shares may be sold under Rule 144 or 144(k) once they have been held for the required time.

Rule 144. In general, under Rule 144, a person who has beneficially owned restricted securities for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding that will equal approximately shares immediately after this offering; or
- the average weekly trading volume of our common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also limited by manner-of-sale provisions and notice requirements and to the availability of current public information about us.

Rule 144(k). Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years is entitled to sell these shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144 discussed above.

Rule 701. In general, under Rule 701, any of our employees, consultants or advisors who purchase or receive shares from us under a compensatory stock purchase plan or option plan or other written agreement will be eligible to resell their shares beginning 90 days after the date of this prospectus, subject to the 180-day lockup agreements discussed in "Underwriting." Non-affiliates will be able to sell their shares subject only to the manner-of-sale provisions of Rule 144. Affiliates will be able to sell their shares without compliance with the holding period requirements of Rule 144.

Registration Rights. Upon completion of this offering, the holders of shares of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act. See "Description of Capital Stock--Registration Rights." Except for shares purchased by affiliates, registration of their shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. All holders with registration rights have agreed not to exercise their registration rights until 180 days following the date of this prospectus unless both Credit Suisse First Boston Corporation and Deutsche Bank Securities Inc. agree otherwise.

Stock Options. Immediately after this offering, we intend to file a registration statement under the Securities Act covering the shares of common stock reserved for issuance upon exercise of outstanding options. The registration statement is expected to be filed and become effective as soon as practicable after the closing of this offering. Accordingly, shares registered under the registration statement will be available for sale in the open market beginning 180 days after the effective date of the registrant statement of which this prospectus is a part, except with respect to Rule 144 volume limitations that apply to our affiliates.

U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of the principal U.S. federal income and estate tax consequences of the ownership and disposition of our common stock by a Non-U.S. Holder. As used in this prospectus, the term "Non-U.S. Holder" is a person that is not:

- a citizen or individual resident of the United States for U.S. federal income tax purposes;
- a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or of any political subdivision of the United States;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust, in general, if it is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons.

An individual may, subject to some exceptions, be treated as a resident of the United States for U.S. federal income tax purposes, instead of a nonresident, by, among other things, being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year--counting for these purposes all of the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year. Residents are subject to U.S. federal taxes as if they were U.S. citizens.

This discussion does not consider:

- U.S. state and local or non-U.S. tax consequences;
- specific facts and circumstances that may be relevant to a particular Non-U.S. Holder's tax position, including, if the Non-U.S. Holder is a partnership, that the U.S. tax consequences of holding and disposing of our common stock may be affected by determinations made at the partner level;
- the tax consequences for the shareholders, partners or beneficiaries of a Non-U.S. Holder;
- special tax rules that may apply to some Non-U.S. Holders, including without limitation, banks, insurance companies, dealers in securities and traders in securities; or
- special tax rules that may apply to a Non-U.S. Holder that holds our common stock as part of a straddle, hedge or conversion transaction.

The following discussion is based on provisions of the U.S. Internal Revenue Code of 1986, applicable Treasury regulations, and administrative and judicial interpretations, all as of the date of this prospectus, and all of which may change, retroactively or prospectively. The following summary is for general information. Accordingly, each Non-U.S. Holder should consult a tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax consequences of acquiring, holding and disposing of shares of our common stock.

Dividends

We do not anticipate paying cash dividends on our common stock in the foreseeable future. In the event, however, that dividends are paid on shares of common stock, dividends paid to a Non-U.S. Holder of common stock generally will be subject to withholding of U.S. federal income tax at a 30% rate, or a lower rate as may be provided by an applicable income tax treaty. Canadian holders of the common stock, for example, will generally be subject to a reduced rate of 15% under the Canada-U.S. Income Tax Treaty. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

Dividends that are effectively connected with a Non-U.S. Holder's conduct of a trade or business in the United States or, if an income tax treaty applies, attributable to a permanent establishment, or in the case of an

individual, a fixed base, in the United States, as provided in that treaty, referred to as U.S. trade or business income, are generally subject to U.S. federal income tax on a net income basis at regular graduated rates, but are not generally subject to the 30% withholding tax if the Non-U.S. Holder files the appropriate U.S. Internal Revenue Service form with the payor. Any U.S. trade or business income received by a Non-U.S. Holder that is a corporation may also, under some circumstances, be subject to an additional "branch profits tax" at a 30% rate or a lower rate as specified by an applicable income tax treaty.

Dividends paid prior to 2001 to an address in a foreign country are presumed, absent actual knowledge to the contrary, to be paid to a resident of that country for purposes of the withholding discussed above and for purposes of determining the applicability of a tax treaty rate. For dividends paid after December 31, 2000:

- a Non-U.S. Holder of common stock who claims the benefit of an applicable income tax treaty rate generally will be required to satisfy applicable certification and other requirements;

- in the case of common stock held by a foreign partnership, the certificate requirement will generally be applied to the partners of the partnership and the partnership will be required to provide certain information, including a U.S. taxpayer identification number; and

- look-through rules will apply for tiered partnerships.

A Non-U.S. Holder of common stock that is eligible for a reduced rate of U.S. withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS.

Gain on Disposition of Common Stock

A Non-U.S. Holder generally will not be subject to U.S. federal income tax in respect of gain recognized on a disposition of common stock unless:

- the gain is U.S. trade or business income, in which case, the branch profits tax described above may also apply to a corporate Non-U.S. Holder;

- the Non-U.S. Holder is an individual who holds the common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code, is present in the United States for more than 182 days in the taxable year of the disposition and meets other requirements;

- the Non-U.S. Holder is subject to tax pursuant to the provisions of the U.S. tax law applicable to some U.S. expatriates; or

- we are or have been a "U.S. real property holding corporation" for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or period that the Non-U.S. Holder held our common stock.

Generally, a corporation is a "U.S. real property holding corporation" if the fair market value of its "U.S. real property interests" equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in trade or business. We believe that we have not been, are not currently, and do not anticipate becoming, a "U.S. real property holding corporation," and thus we believe that the effects which could arise if we were ever a "U.S. real property holding corporation" will not apply to a Non-U.S. Holder. Even if we were, or were to become, a "U.S. real property holding corporation," no adverse tax consequences would apply to a Non-U.S. Holder whose holdings, direct and indirect, at all times during the applicable period, constituted 5% or less of our common stock, provided that our common stock was regularly traded on an established securities market.

Federal Estate Tax

Common stock owned or treated as owned by an individual who is a Non-U.S. Holder at the time of death will be included in the individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise and, therefore, may be subject to U.S. federal estate tax.

Information Reporting and Backup Withholding Tax

We must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to that holder and the tax withheld with respect to those dividends. Copies of the information returns reporting those dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder is a resident under the provisions of an applicable income tax treaty or agreement.

Under some circumstances, U.S. Treasury Regulations require information reporting and backup withholding at a rate of 31% on certain payments on common stock. Under currently applicable law, Non-U.S. Holders of common stock generally will be exempt from these information reporting requirements and from backup withholding on dividends prior to 2001 to an address outside the United States. For dividends paid after December 31, 2000, however, a Non-U.S. Holder of common stock that fails to certify its Non-U.S. Holder status in accordance with applicable U.S. Treasury Regulations may be subject to backup withholding at a rate of 31% on payments of dividends.

The payment of the proceeds of the disposition of common stock by a holder to or through the U.S. office of a broker through a non-U.S. branch of a U.S. broker generally will be subject to information reporting and backup withholding at a rate of 31% unless the holder either certifies its status as a Non-U.S. Holder under penalties of perjury or otherwise establishes an exemption. The payment of the proceeds of the disposition by a Non-U.S. Holder of common stock to or through a non-U.S. office of non-U.S. broker will not be subject to backup withholding or information reporting unless the non-U.S. broker is a "U.S. related person." In the case of the payment of proceeds from the disposition of common stock by or through a non-U.S. office of a broker that is a U.S. person or a "U.S. related person," information reporting, but currently not backup withholding, on the payment applies unless the broker receives a statement from the owner, signed under penalty of perjury, certifying its non-U.S. status or the broker has documentary evidence in its files that the holder is a Non-U.S. Holder and the broker has no actual knowledge to the contrary. For this purpose, a "U.S. related person" is:

- a "controlled foreign corporation" for U.S. federal income tax purposes;

- a foreign person, 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment, or for such part of the period that the broker has been in existence, is derived from activities that are effectively connected with the conduct of a U.S. trade or business; or

- effective after December 31, 2000, a foreign partnership if, at any time during the taxable year, (A) at least 50% of the capital or profits interest in the partnership is owned by U.S. persons or (B) the partnership is engaged in a U.S. trade or business.

Effective after December 31, 2000, backup withholding may apply to the payment of disposition proceeds by or through a non-U.S. office of a broker that is a U.S. person or a "U.S. related person" unless certification requirements are satisfied or an exemption is otherwise established and the broker has no actual knowledge that the holder is a U.S. person. Non-U.S. Holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them, including changes to these rules that will become effective after December 31, 2000. Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder will be refunded, or credited against the holder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2000, we and the selling stockholders have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston Corporation and Deutsche Bank Securities Inc., as joint bookrunners, and Robert W. Baird & Co. Incorporated are acting as representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse First Boston Corporation	
Deutsche Bank Securities Inc	
Robert W. Baird & Co. Incorporated	
Total	

As joint bookrunners, Credit Suisse First Boston Corporation and Deutsche Bank Securities Inc. have equal responsibility for managing this offering. The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering, if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

The selling stockholders have granted the underwriters a 30-day option to purchase from them on a pro rata basis up to additional shares at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a concession of $ per share. The underwriters and the selling group members may allow a discount of $ per share on sales to other broker/dealers. After the initial public offering, the public offering price and concession and discount to dealers may be changed by the representatives.

The following table summarizes the compensation and estimated expenses we and the selling stockholders will pay:

	Per Share		Total	
	Without Over-Allotment	With Over-Allotment	Without Over-Allotment	With Over-Allotment
Underwriting Discounts and Commissions paid by us	$	$	$	$
Underwriting Discounts and Commissions paid by the selling stockholders	$	$	$	$
Expenses payable by us	$	$	$	$

The representatives have informed us that the underwriters do not expect discretionary sales to exceed % of the shares of common stock being offered.

DB Capital Investors, LP is one of the selling stockholders and an affiliate of Deutsche Bank Securities Inc. DB Capital Investors, LP intends to sell shares of our common stock, which constitutes more than 1% of the total shares offered in this offering. The offering therefore is being conducted in accordance with the applicable provisions of Rule 2710(c)(7)(C) of the National Association of Securities Dealers, Inc. Conduct Rules. Rule 2710(c)(7)(C) prohibits DB Capital Investors, LP from selling in this offering more than 1% of the securities offered unless the initial public offering price of the shares of common stock is not higher than that recommended by a "qualified independent underwriter" meeting certain standards. Accordingly, Credit Suisse

First Boston Corporation is assuming the responsibilities of acting as the qualified independent underwriter in pricing the offering and conducting due diligence. The initial public offering price of the shares of common stock is no higher than the price recommended by Credit Suisse First Boston Corporation. Credit Suisse First Boston Corporation will be paid a fee of $10,000 for its services as qualified independent underwriter.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act of 1933 relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, unless both Credit Suisse First Boston Corporation and Deutsche Bank Securities Inc. agree otherwise, for a period of 180 days after the date of this prospectus, except issuances pursuant to the exercise of employee stock options outstanding on the date hereof.

Our officers, directors and all of our stockholders have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of common stock whether any of these transactions are to be settled by delivery of our common stock or other securities, in case or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any swap, hedge or other arrangement, unless, in each case, both Credit Suisse First Boston Corporation and Deutsche Bank Securities Inc. agree otherwise, for a period of 180 days after the date of this prospectus.

The underwriters have reserved for sale, at the initial public offering price, up to shares of common stock for employees, directors, consultants and other persons associated with us who have expressed an interest in purchasing common stock in this offering. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

We and the selling stockholders have agreed to indemnify the underwriters against liabilities under the Securities Act of 1933, or contribute to payments which the underwriters may be required to make in that respect.

We have applied to have our common stock quoted on The Nasdaq Stock Market's National Market under the trading symbol RECN.

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiation between us and the underwriters. The principal factors to be considered in determining the public offering price include the following:

- the information included in this prospectus and otherwise available to the representatives;
- market conditions for initial public offerings;
- the history and the prospects for the industry in which we will compete;
- the ability of our management;
- the prospects for our future earnings;
- the present state of our development and our current financial condition;
- the general condition of the securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies.

We cannot be sure that the initial public offering price will correspond to the price at which the common stock will trade in the public market following this offering or that an active trading market for the common stock will develop and continue after this offering.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-alloted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option and/or purchasing shares in the open market.

- Syndicate covering transactions involve purchases of common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option--a naked short position--that position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely effect investors who purchase in the offering.

- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that would otherwise exist in the open market. These transactions may be effected on The Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters participating in this offering. The representatives may agree to allocate a number of shares to underwriters for the sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters that will make internet distributions on the same basis as other allocations.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we and the selling stockholders prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are made. Any resale of the common stock in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

Representations of Purchasers

By purchasing common stock in Canada and accepting a purchase confirmation, a purchaser is representing to us, the selling stockholders and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws,
- where required by law, the purchaser is purchasing as principal and not as agent, and
- the purchaser has reviewed the text above under "Resale Restrictions."

Rights of Action (Ontario Purchasers)

The securities being offered are those of a foreign issuer and Ontario purchasers will not receive the contractual right of action prescribed by Ontario securities law. As a result, Ontario purchasers must rely on other remedies that may be available, including common law rights of action for damages or rescission or rights of action under the civil liability provisions of the United States federal securities laws.

Enforcement of Legal Rights

All of the issuer's directors and officers as well as the experts named herein and the selling stockholders may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the issuer or such persons. All or a substantial portion of the assets of the issuer and such persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the issuer or such persons in Canada or to enforce a judgment obtained in Canadian courts against such issuer or persons outside of Canada.

Notice to British Columbia Residents

A purchaser of common stock to whom the Securities Act (British Columbia) applies is advised that the purchaser is required to file with the British Columbia Securities Commission a report within ten days of the sale of any common stock acquired by the purchaser pursuant to this offering. The report must be in the form attached to British Columbia Securities Commission Blanket Order BOR #95/17, a copy of which may be obtained from us. Only one report must be filed for common stock acquired on the same date and under the same prospectus exemption.

Taxation and Eligibility for Investment

Canadian purchasers of common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the common stock in their particular circumstances and about the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation.

LEGAL MATTERS

The validity of the shares of common stock offered in this prospectus will be passed upon for us by O'Melveny & Myers, LLP, Newport Beach, California. Latham & Watkins, Costa Mesa, California, will pass upon certain legal matters in connection with this offering for the underwriters.

EXPERTS

The consolidated financial statements of Resources Connection, Inc. and its subsidiaries as of May 31, 1999 and 2000 and for the period from inception, November 16, 1998, through May 31, 1999, and for the year ended May 31, 2000, included in this prospectus have been included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Resources Connection LLC for the period June 1, 1998 through March 31, 1999, and for the year ended May 31, 1998, included in this prospectus have been included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act, with respect to the common stock offered by this prospectus. As permitted by the rules and regulations of the Commission, this prospectus, which is a part of the registration statement, omits certain information, exhibits, schedules and undertakings included in the registration statement. For further information pertaining to us and the common stock offered under this prospectus, reference is made to the registration statement and the attached exhibits and schedules. Although required material information has been presented in this prospectus, statements contained in this prospectus as to the contents or provisions of any contract or other document referred to in this prospectus may be summary in nature, and in each instance reference is made to the copy of this contract or other document filed as an exhibit to the registration statement, and each statement is qualified in all respects by this reference. A copy of the registration statement may be inspected without charge at the office of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Securities and Exchange Commission's regional offices located at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of all or any part of the registration statement may be obtained from the Securities and Exchange Commission's offices upon the payment of the fees prescribed by the Securities and Exchange Commission. In addition, registration statements and certain other filings made with the commission through its Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system, including our registration statement and all exhibits and amendments to our registration statement, are publicly available through the commission's website at http://www.sec.gov.

After this offering, we will have to provide the information and reports required by the Securities Exchange Act of 1934, as amended, and we will file periodic reports, proxy statements and other information with the Securities and Exchange Commission. Upon approval of the common stock for listing on The Nasdaq Stock Market's National Market, these reports, proxy and information statements and other information may also be inspected at the offices of Nasdaq Operations, 1735 K Street, N.W., Washington, D.C. 20006.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and the Board of Directors
of Resources Connection, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Resources Connection, Inc., formerly RC Transaction Corp., and its subsidiaries at May 31, 1999 and 2000, and the results of their operations and their cash flows for the period from inception, November 16, 1998 through May 31, 1999, and the year ended May 31, 2000 in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Costa Mesa, California
July 17, 2000

RESOURCES CONNECTION, INC.

CONSOLIDATED BALANCE SHEETS

As of May 31, 1999 and 2000

	1999	2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 875,836	$ 4,490,187
Trade accounts receivable, net of allowance for doubtful accounts of $907,070 in 1999 and $1,586,215 in 2000	11,913,015	18,166,413
Deferred income taxes	852,507	1,300,210
Prepaid expenses and other current assets	821,226	745,621
Total current assets	14,462,584	24,702,431
Intangible assets, net	43,859,369	41,582,699
Property and equipment, net	459,683	3,196,185
Other assets	171,944	624,778
Total assets	$58,953,580	$70,106,093
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,502,772	$ 2,519,289
Accrued salaries and related obligations	2,728,409	7,450,190
Other liabilities	581,197	800,938
Current portion of term loan	1,500,000	4,000,000
Total current liabilities	7,312,378	14,770,417
Deferred income taxes		379,589
Term loan	16,500,000	12,500,000
Revolving line of credit	2,100,000	
Subordinated notes payable	22,430,834	25,270,750
Total liabilities	48,343,212	52,920,756
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, $0.01 par value, 5,000,000 shares authorized; zero shares issued and outstanding		
Common stock, $0.01 par value, 35,000,000 shares authorized; 15,630,000 shares issued and outstanding	156,300	156,300
Additional paid-in capital	9,698,754	10,221,589
Deferred stock compensation	(36,879)	(499,074)
Accumulated other comprehensive loss		(31,548)
Retained earnings	792,193	7,338,070
Total stockholders' equity	10,610,368	17,185,337
Total liabilities and stockholders' equity	$58,953,580	$70,106,093

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

RESOURCES CONNECTION, INC.

CONSOLIDATED STATEMENTS OF INCOME

For The Period From Inception, November 16, 1998, Through May 31, 1999 And For The Year Ended May 31, 2000

	For The Period From Inception, November 16, 1998, Through May 31, 1999	For The Year Ended May 31, 2000
Revenue	$15,384,578	$126,332,155
Direct cost of services, primarily payroll and related taxes for professional services employees	8,618,234	73,541,194
Gross profit	6,766,344	52,790,961
Selling, general and administrative expenses	4,274,171	34,648,822
Amortization of intangible assets	370,661	2,230,633
Depreciation expense	30,029	284,737
Income from operations	2,091,483	15,626,769
Interest expense	733,903	4,716,974
Income before provision for income taxes	1,357,580	10,909,795
Provision for income taxes	565,387	4,363,918
Net income	$ 792,193	$ 6,545,877
Net income per common share:		
Basic	$ 0.09	$ 0.42
Diluted	$ 0.09	$ 0.42
Weighted average common shares outstanding:		
Basic	8,691,224	15,630,000
Diluted	8,691,224	15,714,241

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

RESOURCES CONNECTION, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For The Period From Inception, November 16, 1998, Through
May 31, 1999 And For The Year Ended May 31, 2000

	Common Stock		Additional Paid-In	Deferred Stock	Accumulated Other Comprehensive	Retained	Total Stockholders'
	Shares	Amount	Capital	Compensation	Loss	Earnings	Equity
Issuance of common shares to founders for cash	5,630,000	$ 56,300	$ --	$ --	$ --	$ --	$ 56,300
Issuance of common shares for cash	9,855,260	98,553	9,756,707				9,855,260
Issuance of Class B common shares for cash	144,740	1,447	143,293				144,740
Issuance costs of common shares			(238,125)				(238,125)
Deferred stock compensation			36,879	(36,879)			
Net income for the period from inception, November 16, 1998, through May 31, 1999						792,193	792,193
Balances as of May 31, 1999	15,630,000	156,300	9,698,754	(36,879)		792,193	10,610,368
Deferred stock compensation			522,835	(522,835)			
Amortization of deferred stock compensation				60,640			60,640
Comprehensive income:							
Currency translation adjustment, net of tax					(31,548)		(31,548)
Net income for the year ended May 31, 2000						6,545,877	6,545,877
Total comprehensive income							6,514,329
Balances as of May 31, 2000	15,630,000	$156,300	$10,221,589	$(499,074)	$(31,548)	$7,338,070	$17,185,337

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

RESOURCES CONNECTION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Period From Inception, November 16, 1998, Through
May 31, 1999 And For The Year Ended May 31, 2000

	For The Period From Inception, November 16, 1998, Through May 31, 1999	For The Year Ended May 31, 2000
Cash flows from operating activities		
Net income	$ 792,193	$ 6,545,877
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of acquisition of Resources Connection LLC in April, 1999:		
Depreciation and amortization	400,690	2,515,370
Amortization of debt issuance costs	12,420	298,458
Amortization of deferred stock compensation		60,640
Bad debt expense	200,000	1,048,502
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,217,009)	(7,301,900)
Prepaid expenses and other current assets	(509,473)	75,605
Other assets	(167,338)	(484,382)
Accounts payable and accrued expenses	768,763	35,096
Accrued salaries and related obligations	(573,479)	4,721,781
Other liabilities	311,716	219,741
Accrued interest payable portion of notes payable	430,834	2,839,916
Deferred income taxes	559,288	(68,114)
Net cash provided by operating activities	1,008,605	10,506,590
Cash flows from investing activities		
Purchase of Resources Connection LLC, net of cash acquired and including transaction costs	(50,866,539)	(271,000)
Purchases of property and equipment	(21,066)	(3,021,239)
Net cash used in investing activities	(50,887,605)	(3,292,239)
Cash flows from financing activities		
Proceeds from issuance of subordinated notes payable	22,000,000	
Proceeds from term loan	18,000,000	
Payments on term loan		(1,500,000)
Net borrowings (repayments) on revolving loan	2,100,000	(2,100,000)
Costs of debt issuances	(1,163,339)	
Issuance of common stock	10,056,300	
Costs of equity issuances	(238,125)	
Net cash provided by (used in) financing activities	50,754,836	(3,600,000)
Net increase in cash	875,836	3,614,351
Cash and cash equivalents at beginning of period	--	875,836
Cash and cash equivalents at end of period	$ 875,836	$ 4,490,187

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

RESOURCES CONNECTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 1999 And 2000

1. Description of the Company and its Business

Resources Connection, Inc., formerly RC Transaction Corp.,was incorporated on November 16, 1998. The Company provides professional services to a variety of industries and enterprises through its subsidiary, Resources Connection LLC ("LLC"), and foreign subsidiaries (collectively the "Company"). Prior to its acquisition of LLC on April 1, 1999, Resources Connection, Inc. had no substantial operations. LLC, which commenced operations in June 1996, provides clients with experienced professionals who specialize in accounting, finance, tax, information technology and human resources on a project-by-project basis. The Company operates in the United States, Canada, Hong Kong and Taiwan. The Company is a Delaware corporation. LLC is a Delaware organized limited liability company.

The Company's fiscal year consists of 52 or 53 weeks, ending on the Saturday nearest the last day of May in each year. For convenience, all references herein to years or periods are to years or periods ended May 31. The period ended May 31, 1999 consists of 28 weeks, which includes 8 weeks of operations of LLC. The fiscal year ending May 31, 2000 consists of 52 weeks.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

Revenues are recognized when services are rendered by the Company's professionals. Conversion fees are recognized in certain circumstances when one of the Company's professionals accepts an offer of permanent employment from a client. Conversion fees were less than 4% of revenue for the period ended May 31, 1999 and for the year ended May 31, 2000. All costs of compensating the Company's professionals are the responsibility of the Company and are included in direct cost of services.

Foreign Currency Translation

The financial statements of subsidiaries outside the United States are generally measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at current exchange rates, income and expense items are translated at average exchange rates prevailing during the period and the related translation adjustments are recorded as a component of comprehensive income within stockholders' equity. Gains and losses from foreign currency transactions are included in the consolidated statements of income.

Per Share Information

The Company follows Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," which establishes standards for the computation, presentation and disclosure requirements for basic and diluted earnings per share for entities with publicly held common shares and potential common shares. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding. In computing diluted earnings per share, the weighted average number of shares outstanding is adjusted to reflect the effect of potentially dilutive securities.

Potential common shares totaling 750,500 were not included in the diluted earnings per share amounts for the period ended May 31, 2000 as their effect would have been anti-dilutive. For the year ended May 31, 2000, potentially dilutive securities consisted solely of stock options and resulted in potential common shares of 84,241.

All share and per share amounts have been adjusted to give retroactive effect to the 10-for-1 stock split (see Note 10) for all periods presented.

Cash and Cash Equivalents

The Company considers cash on hand, deposits in banks, and short-term investments purchased with an original maturity date of three months or less to be cash and cash equivalents. The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents approximate the fair values due to the short maturities of these instruments.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets which range from 3 to 10 years. Leasehold improvements are amortized using the straight-line method over the estimated useful life of the asset or the term of the lease, whichever is shorter. Costs for normal repairs and maintenance are expensed to operations as incurred, while renewals and major refurbishments are capitalized.

Assessments of whether there has been a permanent impairment in the value of property and equipment are periodically performed by considering factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other economic factors. Management believes no permanent impairment has occurred.

Intangible Assets

Goodwill represents the purchase price of LLC in excess of the fair market value of its net tangible assets at acquisition date, and is being amortized on a straight-line basis over 20 years. A noncompete agreement is stated at cost and amortized on a straight-line basis over the four-year life of the agreement. The costs related to the issuance of debt are capitalized and amortized to interest expense on a straight-line basis over the 4.5 year life of the related debt. Debt issuance costs of $12,420 and $298,458 were amortized to interest expense for the period ended May 31, 1999 and the year ended May 31, 2000, respectively. The carrying value of intangible assets is periodically reviewed by management and impairment adjustments are recognized when the expected future operating cash flows to be derived from such intangible assets are less than their carrying value. The Company believes that no impairment of intangible assets has occurred.

Interest Rate Swap

The Company has entered into an interest rate swap to manage its term loan debt with the objective of minimizing the volatility of the Company's borrowing cost. At May 31, 2000, the Company held an interest rate swap to fix the interest rate on $12.6 million of the debt under the term loan. Under this agreement, the Company will pay the counterparty interest at a fixed rate of 8.96% and the counterparty will pay the Company interest at a variable rate based upon the Eurodollar rate plus 3%. At May 31, 2000, the variable rate applicable to this agreement was 9.69%. Net payments or receipts under the agreement are recorded in interest expense on a current basis. The related amount payable to, or receivable from, the counterparty is included in interest payable on the consolidated balance sheet. At May 31, 2000, the interest rate swap agreement had a fair value of approximately $176,000 in assets based upon quoted market prices of comparable instruments.

Stock-Based Compensation

The Company has adopted the disclosure-only provision of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 defines a fair value based method of accounting for stock based compensation. Fair value of the stock based awards is determined considering factors such as the exercise price, the expected life of the award, the current price of the underlying stock and its volatility, expected dividends on the stock, and the risk-free interest rate for the expected term of the award. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period.

The Company continues to measure compensation cost under the intrinsic value method provided by Accounting Principles Board Opinion No. 25 ("APB 25") and to include the required pro forma disclosures. Under the intrinsic value method, compensation cost is measured at the grant date as the difference between the estimated market value of the underlying stock and the exercise price. Compensation cost is recognized ratably over the service period.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under this method, deferred income taxes are recognized for the estimated tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established to reduce deferred tax assets to the amount expected to be realized when, in management's opinion, it is more likely than not that some portion of the deferred tax assets will not be realized. The provision for income taxes represents current taxes payable net of the change during the period in deferred tax assets and liabilities.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was later amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 133 established standards for the accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. This Statement generally requires recognition of gains and losses on hedging instruments, based on changes in fair value or the earnings effect of a forecasted transaction. SFAS No. 133, as amended by SFAS No. 137, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Management does not believe that SFAS No. 133, as amended by SFAS No. 137, will have a material impact on the Company's consolidated financial statements.

In March 2000, the FASB issued Interpretation No. 44, or FIN 44, entitled "Accounting for Certain Transactions Involving Stock Compensation," which is an interpretation of APB 25. This interpretation clarifies:

- the definition of an employee for purposes of applying APB 25;
- the criteria for determining whether a plan qualifies as a noncompensatory plan;
- the accounting consequences of various modifications to the terms of a previously fixed stock option or award; and
- the accounting for an exchange of stock compensation awards in a business combination.

This interpretation is effective July 1, 2000. Management believes that the adoption of FIN 44 will not have a material impact on the Company's consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the prior period consolidated financial statements to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates and assumptions are adequate, actual results could differ from the estimates and assumptions used.

3. Resources Connection LLC Acquisition

On April 1, 1999, the Company completed the acquisition of all of the outstanding membership interests of LLC for approximately $55 million in cash, excluding cash acquired and transaction costs. The Company has accounted for this transaction under the purchase method of accounting. The purchase price exceeded the estimated fair value of LLC's net tangible assets by approximately $43.3 million, which was allocated to intangible assets, consisting of goodwill of $42.8 and a noncompete agreement of $500,000. The results of operations of LLC are included in the consolidated statements of income from the date of acquisition.

In connection with this acquisition, the Company entered into a transition services agreement ("Agreement") with the seller whereby the seller agreed to provide certain services (as defined in the Agreement) to the Company at negotiated terms during the period the Company maintained offices within the seller's locations. The use of the services may not necessarily have been provided at terms available from third parties. Therefore, the accompanying financial statements of the Company may not necessarily be indicative of the financial position and results that would have occurred if the Company had undertaken such transactions with third parties. At May 31, 1999 and 2000, the Company maintained 25 and 5 offices, respectively, within the seller's locations. The Company expects to have completed all relocations by August 31, 2000.

4. Property and Equipment

Property and equipment consist of the following at May 31:

	1999	2000
Computers and equipment	$430,308	$2,440,297
Furniture	16,490	547,321
Leasehold improvements	42,914	523,333
	489,712	3,510,951
Less accumulated depreciation and amortization	(30,029)	(314,766)
	$459,683	$3,196,185

5. Intangible Assets

Intangible assets consist of the following at May 31:

	1999	2000
Noncompete agreement	$ 500,000	$ 500,000
Goodwill	42,579,111	42,831,532
Debt issuance costs	1,163,339	1,163,339
	44,242,450	44,494,871
Less accumulated amortization	(383,081)	(2,912,172)
	$43,859,369	$41,582,699

6. Income Taxes

The following table represents the current and deferred income tax provision for federal and state income taxes:

	For The Period From Inception, November 16, 1998, Through May 31, 1999	For The Year Ended May 31, 2000
Current		
Federal	$ --	$3,569,500
State	6,099	862,532
	6,099	4,432,032
Deferred		
Federal	438,668	(83,303)
State	120,620	15,189
	559,288	(68,114)
	$565,387	$4,363,918

The components of the provision for deferred income taxes are as follows:

	For The Period From Inception, November 16, 1998, Through May 31, 1999	For The Year Ended May 31, 2000
Allowance for doubtful accounts	$ 20,252	$(276,170)
Property and equipment	(417)	67,305
Goodwill and noncompete agreement	46,638	265,806
Accrued liabilities	535,898	4,034
State taxes	(43,083)	(129,089)
Net deferred income tax provision	$559,288	$ (68,114)

The provision for income taxes differs from the amount that would result from applying the federal statutory rate as follows:

	For The Period From Inception, November 16, 1998, Through May 31, 1999	For The Year Ended May 31, 2000
Statutory tax rate	34.0%	34.0%
State taxes, net of federal benefit	6.1%	5.4%
Other, net	1.5%	0.6%
Effective tax rate	41.6%	40.0%

The components of the net deferred tax asset consist of the following as of May 31:

	1999	2000
Deferred tax assets:		
Allowance for doubtful accounts	$ 380,969	$ 657,139
Accrued expenses	588,423	584,389
State taxes		74,411
	969,392	1,315,939
Deferred tax liabilities:		
Property and equipment	(15,569)	(82,874)
Goodwill and noncompete agreement	(46,638)	(312,444)
State taxes	(54,678)	
	(116,885)	(395,318)
Net deferred tax asset	$ 852,507	$ 920,621

7. Accrued Salaries and Related Obligations

Accrued salaries and related obligations consist of the following as of May 31:

	1999	2000
Accrued salaries, bonuses and related obligations	$1,945,109	$5,837,762
Accrued vacation	783,300	1,612,428
	$2,728,409	$7,450,190

8. Long-Term Obligations (Term Loan, Revolving Credit and Subordinated Notes Payable)

In April 1999, in connection with the acquisition of LLC, the Company entered into a $28 million credit agreement with a group of banks which provides for an $18 million term loan facility and a $10 million revolving credit facility, including a standby letter of credit feature (the "Credit Agreement"). Principal payments on the term loan are due quarterly, and the Credit Agreement expires October 1, 2003. At May 31, 1999 and 2000, outstanding borrowings on the term loan are $18,000,000 and $16,500,000, respectively. At May 31, 1999 and 2000, outstanding borrowings on the revolving credit facility are $2,100,000 and zero, respectively. Borrowings under the Credit Agreement are collateralized by all of the Company's assets.

Prime rate plus 2% and a Eurodollar-based rate plus 3% interest rate options are available for borrowing under the Credit Agreement. On May 31, 1999 and

2000, the term loan bore interest at 8% and 8.75%,

respectively. The weighted average interest rate on the outstanding borrowings under the revolving credit facility was 9.35% at May 31, 1999. No amounts were outstanding under the revolving credit facility at May 31, 2000. Interest is payable on both facilities at various intervals no less frequent than quarterly. In addition, an annual facility fee of 0.05% is payable on the unutilized portion of the $10 million revolving credit facility.

The Credit Agreement contains certain financial and other restrictive covenants. These covenants include, but are not limited to, a restriction on the amount of dividends that may be distributed to shareholders, and maintaining defined levels of earnings before interest, taxes, depreciation and amortization ("EBITDA"), a debt leverage ratio and an interest coverage ratio. The Company was in compliance with these covenants as of May 31, 1999 and 2000.

In April 1999, the Company issued $22,000,000 in 12% subordinated promissory notes (the "Notes") to certain investors. The Notes are subordinate to the facilities provided by the Credit Agreement. Interest accrues on the Notes at 12%. Interest is payable on the Notes on a quarterly basis; however, the Company may elect and has elected to defer payment of the interest and to add the balance due ($3,270,750 at May 31, 2000) to the outstanding principal balance. All principal, including accrued interest, is due on April 15, 2004.

The fair values of the Notes and the Company's debt under the Credit Agreement approximate their carrying amounts and have been estimated based on current rates offered to the Company for debt of the same remaining maturities.

Scheduled maturities of long-term obligations are as follows:

Years Ending May 31:	
2001	$ 4,000,000
2002	4,750,000
2003	5,250,000
2004	27,770,750
	$41,770,750

9. Concentrations of Credit Risk

The Company maintains cash and cash equivalent balances with a high credit quality financial institution. At times, such balances are in excess of federally insured limits.

Financial instruments which potentially subject the Company to concentration of credit risk consist primarily of trade receivables. However, concentrations of credit risk are limited due to the large number of customers comprising the Company's customer base and their dispersion across different business and geographic areas. The Company monitors its exposure to credit losses and maintains an allowance for anticipated losses. To reduce credit risk, the Company performs credit checks on certain customers.

10. Stockholders' Equity

The Company has authorized for issuance 25,000,000 shares of common stock, in addition to 3,000,000 shares of Class B common stock and 7,000,000 shares of Class C common stock with a $0.01 par value. At May 31, 1999 and 2000, there are 15,485,260, 144,740 and zero shares outstanding of common stock, Class B common stock and Class C common stock, respectively. The 25,000,000 shares of common stock are voting while Class B and Class C common stock are nonvoting. Class B and Class C common stock are equal to the 25,000,000 shares of common stock with respect to all other rights and preferences.

The Company has authorized for issuance 5,000,000 shares of preferred stock with a $0.01 par value. The Board of Directors has the authority to issue preferred stock in one or more series and to determine the related rights and preferences. No shares are outstanding at May 31, 1999 and 2000.

The Company issued 5,630,000 shares of its common stock to founding shareholders at a price of $0.01 per share (see Note 14).

In April 1999, the Company issued 10,000,000 units at a price of $3.20 per unit, each unit consisting of one share of common stock at $1.00 per unit and a subordinate promissory note of $2.20 per unit (see Note 8).

On March 9, 2000, the Company's Board of Directors authorized a 10-for-1 split of its shares of common stock and shares under options. All share and per share amounts in the accompanying consolidated financial statements have been adjusted to give retroactive effect to the stock split for all periods presented.

11. Benefit Plan

The Company established a defined contribution 401(k) plan ("the plan") on April 1, 1999, which covers all employees who have completed three months of service and are age 21 or older. Participants may contribute up to 15% of their annual salary up to the maximum amount allowed by statute. As defined in the plan agreement, the Company may make matching contributions in such amount, if any, up to a maximum of 6% of individual employees' annual salaries. The Company, in its sole discretion, determines the matching contribution made from year to year. To receive matching contributions, the employee must be employed on the last day of the fiscal year. For the period from inception, November 16, 1998, through May 31, 1999 and the year ended May 31, 2000, the Company contributed approximately $101,000 and $427,000, respectively, to the plan.

12. Supplemental Disclosure Of Cash Flow Information

For the period and year ended May 31:

	1999	2000
Interest paid	$ --	$1,824,051
Income taxes paid	$ --	$4,155,900
Noncash investing and financing activities:		
Deferred stock compensation	$ 36,879	$ 522,835
Acquisition of LLC, net of $5,033,027 cash acquired and including transaction costs:		
Fair values of noncash tangible assets acquired	$12,533,518	
Liabilities assumed and incurred	(4,746,090)	
Goodwill	42,579,111	
Noncompete agreement	500,000	
Cash paid	$50,866,539	

During the year ended May 31, 2000, it was determined that the Company owed additional consideration of approximately $225,000 relating to the acquisition of LLC. Such amount has been allocated to the purchase price and is included in accrued expenses at May 31, 2000.

During the year ended May 31, 2000, the Company paid $271,000 in transaction costs related to the acquisition of LLC, of which $244,000 had been included in accrued liabilities at May 31, 1999.

13. Commitments and Contingencies

Lease Commitments

At May 31, 2000, the Company had operating leases, primarily for office premises, expiring at various dates. At May 31, 2000, the Company had no capital leases. Future minimum rental commitments under operating leases are as follows:

Years Ending May 31:	
2001	$ 3,052,023
2002	2,992,504
2003	2,826,407
2004	2,796,750
2005	2,076,471
Thereafter	1,116,393
Total	$14,860,548

Rent expense for the period ended May 31, 1999 and for the year ended May 31, 2000 totaled $305,749 and $2,368,187, respectively.

Employment Agreements

The Company has employment agreements with certain key members of management expiring between 2002 and 2004. These agreements provide the employees with a specified severance amount depending on whether the employee is terminated with or without good cause as defined in the agreement.

14. Incentive Stock Plans

1998 Restricted Stock Purchase Plan

Under the terms of the Resources Connection, Inc. 1998 Restricted Stock Purchase Plan (the "Purchase Plan"), a total of 5,630,000 shares of common stock may be issued. The Purchase Plan gives the administrator authority to grant awards to management-based employees at a price of at least 85% of the fair market value of the stock (100% of the fair market value of the stock in the case of an individual possessing more than 10% of the total outstanding stock of the Company) on the date the related award was granted. An award under the Purchase Plan gives the participant the right to acquire a specified number of shares of common stock, at a specified price, for a limited period of time. Awards under the Purchase Plan are generally nontransferable. The stock purchased upon exercise of an award generally vests over five years. If the participant's employment terminates before the participant's stock is fully vested, the Company may repurchase the unvested stock for the price initially paid by the participant. The administrator may accelerate the vesting of stock acquired under the Purchase Plan in the event of a change in control.

In November 1998, management formed Resources Connection, Inc. (formerly RC Transaction Corp.). In December 1998, 5,243,000 awards were granted and exercised pursuant to the Purchase Plan at a price of $0.01 per share. In January 1999 and February 1999, 297,000 and 90,000 awards, respectively, were granted and exercised pursuant to the Purchase Plan at a price of $0.01 per share. Of such shares of common stock, 785,200 and 1,880,000, respectively, were vested as of May 31, 1999 and 2000. During May 1999 and the year ended May 31, 2000, repurchased unvested shares of common stock were sold to eligible employees pursuant to the terms of the 1998 Restricted Stock Purchase Plan. The amount of unearned compensation recognized for

stock re-sold under the Purchase Plan totaled $36,879 during May 1999 and $375,981 during the year ended May 31, 2000. Related compensation expense totaled zero and $53,520 for the period and the year ended May 31, 1999 and 2000, respectively. The Company does not anticipate granting any additional awards under the Purchase Plan.

1999 Long-Term Incentive Plan

Under the terms of the Resources Connection, Inc. 1999 Long-Term Incentive Plan (the "Incentive Plan"), the Company is authorized to grant restricted stock awards, incentive stock options ("ISOs"), nonqualified stock options ("NQSOs"), stock appreciation rights and bonus awards to directors, officers, key employees, consultants and other agents. Under the terms of the Incentive Plan, the option price for the ISOs and NQSOs shall not be less than the fair market value of the shares of the Company's stock on the date of the grant. For ISOs, the exercise price per share may not be less than 110% of the fair market value of a share of common stock on the grant date for any individual possessing more than 10% of the total outstanding stock of the Company. Management's estimate of the fair market value of the shares of the Company's common stock is based upon a valuation of the Company obtained from an independent appraisal firm. The maximum number of shares of common stock available for grant is 2,340,000. Stock options granted under the Incentive Plan become exercisable generally over periods of one to five years and expire within a period of not more than ten years from the date of grant. There were no options exercisable at May 31, 1999 and 2000.

A summary of the option activity under the Incentive Plan is as follows:

	Number of Shares Under Option	Weighted Average Exercise Price	Weighted Average Fair Value
Options outstanding at May 31, 1999.....	--	$ --	$ --
Granted, above fair market value.....	1,495,500	$4.01	$3.11
Granted, below fair market value.....	330,000	$3.00	$3.44
Options outstanding at May 31, 2000.....	1,828,500	$3.82	

As of May 31, 2000, options outstanding have a range of per share exercise prices between $3.00 and $5.00 and a weighted average remaining contractual life of 9.67 years.

As of May 31, 2000, the Company recorded deferred compensation related to options granted to employees of $146,854 representing the difference between the deemed fair market value of the common stock, as determined for accounting purposes, and the exercise price of the options at the date of grant. Of this amount, $7,120 in amortization has been recognized during the year ended May 31, 2000. The Company amortizes deferred compensation over the related service period of the underlying options.

The Company has adopted the disclosure-only provisions of SFAS No 123. Had compensation cost for the Company's Incentive Plan been determined based on the fair value at the grant date for awards and consistent with the provisions of SFAS No. 123, the Company's net income for the periods ended May 31, would have been adjusted to the pro forma amount indicated below:

	1999	2000
Net Income:		
As reported	$792,193	$6,545,877
Pro forma	$792,193	$5,947,457
Net Income Per Common Share--Basic and Diluted:		
As reported	$ 0.09	$ 0.42
Pro forma	$ 0.09	$ 0.38

For purposes of computing the pro forma amounts, the fair value of stock-based compensation was estimated using the Black-Scholes option-pricing model with the following assumptions:

	1999	2000
Weighted-average expected life (years)	7	7
Annual dividend per share	None	None
Risk-free interest rate	6.47%-6.98%	6.47%-8.07%
Expected volatility	75%	75%

Because the determination of the fair value of all options granted includes the factors described in the preceding paragraph, and because additional option grants are expected to be made each year, the above pro forma disclosures are not likely to be representative of the pro forma effect on reported net income for future years.

15. Segment Information and Enterprise Reporting

No single customer accounted for more than 4% of revenue during the period ended May 31, 1999 and for the year ended May 31, 2000.

The Company has adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company operates in one reportable segment as it provides experienced accounting and finance, human capital management and information technology professionals to clients on a project-by-project basis. Substantially all of the Company's assets are located within the United States. For the year ended May 31, 2000, the first year the Company had foreign operations, foreign revenue comprised less than 1% of the Company's consolidated revenue.

16. Related Party Transactions

In April 1999, the Company issued $22,000,000 in 12% subordinated promissory notes to certain investors (see Note 8).

On May 1, 1999, a member of management received a loan of $200,000 from the Company. The loan is interest free and matures on April 1, 2007. During the year ended May 31, 2000, $50,000 of this loan was forgiven. At May 31, 2000, $150,000 of the receivable was outstanding.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members
of Resources Connection LLC

In our opinion, the accompanying statements of income and of cash flows of Resources Connection LLC, present fairly, in all material respects, the results of its operations and its cash flows for the year ended May 31, 1998 and for the period from June 1, 1998 through March 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether these statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits of these statements provide a reasonable basis for the opinion expressed above.

As discussed in Notes 1, 2, and 3 to these financial statements, the Company entered into significant related party transactions with its member, Deloitte & Touche LLP. The accompanying historical financial statements of the Company may not necessarily be indicative of the results that would have occurred if the Company had undertaken such transactions with an unrelated third party.

PricewaterhouseCoopers LLP

Costa Mesa, California
August 6, 1999

RESOURCES CONNECTION LLC

STATEMENTS OF INCOME

For The Year Ended May 31, 1998
And For The Period June 1, 1998 Through March 31, 1999

	For The Year Ended May 31, 1998	For The Period June 1, 1998 Through March 31, 1999
Revenue	$29,507,588	$55,437,836
Direct cost of services, primarily payroll and related taxes for professional services employees	16,670,680	31,252,773
Gross profit	12,836,908	24,185,063
Selling, general and administrative expenses	9,034,986	17,070,808
Depreciation and amortization expense	79,117	118,358
Net income	$ 3,722,805	$ 6,995,897

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

RESOURCES CONNECTION LLC

STATEMENTS OF CASH FLOWS

For The Year Ended May 31, 1998
And For The Period June 1, 1998 Through March 31, 1999

	For The Year Ended May 31, 1998	For The Period June 1, 1998 Through March 31, 1999
Cash flows from operating activities:		
Net income	$ 3,722,805	$ 6,995,897
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	79,117	118,358
Bad debt expense	278,760	533,000
Changes in operating assets and liabilities:		
Trade accounts receivable	(3,306,645)	(6,736,505)
Receivable from member	(2,500,000)	(10,500,000)
Payable to member	4,325,023	8,540,750
Prepaids and other assets	(18,850)	(297,509)
Accounts payable and accrued expenses	257,344	869,284
Accrued salaries and related obligations	682,867	2,322,972
Other liabilities	78,633	181,847
Net cash provided by operating activities	3,599,054	2,028,094
Cash flows from investing activities:		
Purchases of property and equipment	(431,014)	(163,107)
Net cash used in investing activities	(431,014)	(163,107)
Net increase in cash	3,168,040	1,864,987
Beginning cash balance	--	3,168,040
Ending cash balance	$ 3,168,040	$ 5,033,027

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

RESOURCES CONNECTION LLC

NOTES TO FINANCIAL STATEMENTS

1. Description Of The Company And Its Business:

Resources Connection LLC (the "Company") is a Delaware organized limited liability company and provides high-end professional services to a variety of industries and enterprises throughout the United States. The Company provides clients with experienced professionals in accounting, finance, tax and information technology on a project-by project-basis.

The Company was formed in September 1996. The Company is 99% owned by Deloitte & Touche LLP ("D&T") and 1% owned by Deloitte & Touche Acquisition Company LLC (collectively referred to as the "Members"). The Members do not have any liability for the obligations or liabilities of the Company except to the extent provided for in the Delaware Limited Liability Company Act (the "Act"). The Company will dissolve upon the first to occur of, among others, the following: (a) the written consent of the Members; (b) the resignation, expulsion, bankruptcy or dissolution of a Member or the occurrence of any other event under the Act which terminates the continued membership of a Member in the Company, unless the remaining Member agrees in writing within 90 days to continue the business of the Company; or (c) December 31, 2095.

In the normal course of business, the Company has been supplied with a variety of services by D&T as well as having supplied a variety of services to D&T that are substantial in amount. The accompanying financial statements have been prepared from the separate records maintained by the Company; however, the services supplied by and to D&T may not necessarily have been provided at terms available from unrelated entities. Therefore, the accompanying financial statements of the Company may not necessarily be indicative of the conditions that would have existed if the Company had operated as an independent entity.

The following table summarizes the approximate amount of services and related allocated expenses charged to the Company for services provided by D&T. Charges for such services are included in selling, general and administrative expenses in the accompanying statements of income:

	For The Year Ended May 31, 1998	For The Period June 1, 1998 Through March 31, 1999
Occupancy	$344,000	$ 767,000
Computer charges	80,000	155,000
Telephone	16,000	34,000
Administrative salaries	122,000	250,000
Other charges	153,000	203,000
Total allocated charges	$715,000	$1,409,000

The financial statements include all necessary personnel costs and pro rata allocations of overhead from D&T on a basis which management believes represents a reasonable allocation of such costs.

D&T processes and pays the Company's accounts payable, which obligation is offset by periodic sweeps of the Company's separately maintained bank account, resulting in a net receivable due from D&T and a net payable due to D&T. Interest is not charged for any such amounts due to or from D&T.

Revenue includes fees charged for services provided directly to D&T of approximately $3.1 million and $4.9 million for the year ended May 31, 1998 and for the approximate ten month period ended March 31, 1999, respectively.

The Company's fiscal year consists of 52 or 53 weeks, ending on the Saturday nearest the last day of May in each year. For convenience, all references herein to years or periods are to years or periods ended May 31. The year ended May 31, 1998 was 52 weeks long and the period ended March 31, 1999 was 44 weeks long.

2. Summary Of Significant Accounting Policies:

Revenue Recognition:

Revenues are recognized when services are rendered by the Company's professional staff. Conversion fees are recognized in certain circumstances when one of our Company's professional staff accepts an offer of permanent employment from a client. Conversion fees were less than 4% of revenues for the year ended May 31, 1998 and the period ended March 31, 1999. All costs of compensating the Company's professional staff are the responsibility of the Company and are included in direct cost of services.

Depreciation And Amortization:

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets which range from 3 to 10 years. Leasehold improvements are amortized using the straight-line method over the estimated useful life of the asset or the term of the lease, whichever is shorter. Costs for normal repairs and maintenance are expensed to operations as incurred, while renewals and major refurbishments are capitalized.

Taxes:

As a limited liability company, income taxes on any income or losses realized by the Company are the obligation of its Members and, accordingly, no provision for income taxes has been recorded in the financial statements.

Use Of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates and assumptions are adequate, actual results could differ from the estimates and assumptions used.

Reclassifications:

Certain reclassifications have been made to the prior year financial statements to conform with the current period presentation.

3. Related Party Transactions:

Lease Arrangements:

Specific amendments to D&T lease agreements were negotiated for separate office space in two of the Company's locations. The Company reimburses D&T for the rent incurred under these amended lease agreements. D&T allocates rent to the Company for all other locations, which may not necessarily reflect terms available from unrelated parties. Total rent expense, including allocations as included in Note 1, was approximately $480,000 and $828,000 for the year ended May 31, 1998 and for the approximate ten month period ended March 31, 1999, respectively.

Retirement Plan:

The Company participates in D&T's defined contribution 401(k) plan ("the plan"), which covers administrative employees who have completed one year of service and are age 21 or older. Participants may

contribute up to 15% of their annual salary up to the maximum allowed by statute. As defined in the plan agreement, the Company is obligated to match 10% of employee contributions to a maximum of 6% of individual employees' annual salaries; the Company may, at its discretion, match up to an additional 15% of employee contributions to a maximum of 6% of individual employees' annual salaries. For the year ended May 31, 1998 and for the approximate ten month period ended March 31, 1999, the Company contributed approximately $35,000 and $98,000, respectively, to the plan.

Other:

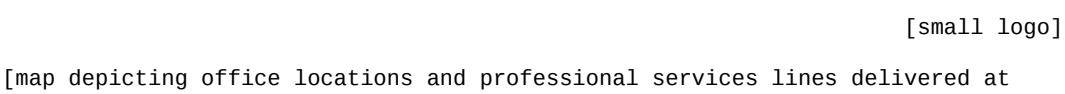
The Company has entered into other significant related party transactions with its Member, D&T. See Note 1 for further detail.

4. Subsequent Events:

On April 1, 1999, D&T sold the Company to management of the Company and a group of investors. All of the outstanding membership interests of the Company were sold for approximately $55 million in cash, excluding cash acquired and transaction costs.

[inside back cover]

[small logo]



United States

Atlanta	Costa Mesa	Minneapolis	San Diego	
Austin	Dallas	New York	San Francisco	
Baltimore	Denver	Orlando	Santa Clara	
Boise	Detroit	Parsippany	Seattle	
Boston	Hartford	Philadelphia	Stamford	
Charlotte	Honolulu	Phoenix	Washington, D.C.	
Chicago (2)	Houston (2)	Pittsburgh		
Cincinnati	Las Vegas	Portland		
Cleveland	Los Angeles	Princeton		

International

Hong Kong
Taipei
Toronto

[LOGO OF RESOURCES CONNECTION]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth all expenses payable by the Resources Connection, Inc. (the "Registrant") in connection with the sale of the common stock being registered. All of the amounts shown are estimates, except for the SEC registration fee, the NASD filing fee and The Nasdaq National Market application fee.

	Amount to Be Paid
Registration fee	*
NASD filing fee	*
Nasdaq Stock Market Listing Application fee	*
Blue sky qualification fees and expenses	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous	*
Total	$ *

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* Estimated.

Item 14. Indemnification Of Officers And Directors

Under Section 145 of the Delaware General Corporation Law, the Registrant has broad powers to indemnify its directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act").

The Registrant's Second Restated Certificate of Incorporation and Amended and Restated Bylaws include provisions to (i) eliminate the personal liability of its directors and officers for monetary damages resulting from breaches of their fiduciary duty to the extent permitted by Section 102(b)(7) of the General Corporation Law of Delaware (the "Delaware Law") and (ii) require the Registrant to indemnify its directors and officers to the fullest extent permitted by Section 145 of the Delaware Law, including circumstances in which indemnification is otherwise discretionary. Pursuant to Section 145 of the Delaware Law, a corporation generally has the power to indemnify its present and former directors, officers, employees and agents against expenses incurred by them in connection with any suit to which they are or are threatened to be made, a party by reason of their serving in such positions so long as they acted in good faith and in a manner they reasonably believed to be in or not opposed to, the best interests of the corporation and with respect to any criminal action, they had no reasonable cause to believe their conduct was unlawful. The Registrant believes that these provisions are necessary to attract and retain qualified persons as directors and officers. These provisions do not eliminate the directors' duty of care, and, in appropriate circumstances, equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware Law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to the Registrant, for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for acts or omissions that the director believes to be contrary to the best interests of the Registrant or its stockholders, for any transaction from which the director derived an improper personal benefit, for acts or omissions involving a reckless disregard for the director's duty to the Registrant or its stockholders when the director was aware or should have been aware of a risk of serious injury to the Registrant or its stockholders, for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the Registrant or its stockholders, for improper transactions between the director and the Registrant and for

improper distributions to stockholders and loans to directors and officers. The provision also does not affect a director's responsibilities under any other law, such as the federal securities law or state or federal environmental laws.

At present, there is no pending litigation or proceeding involving a director or officer of the Registrant as to which indemnification is being sought nor is the Registrant aware of any threatened litigation that may result in claims for indemnification by any officer or director.

The Registrant has applied for an insurance policy covering the officers and directors of the Registrant with respect to certain liabilities, including liabilities arising under the Securities Act or otherwise.

Item 15. Recent Sales Of Unregistered Securities

Appropriate legends were affixed to the stock certificates issued in the transactions described below. All recipients had adequate access, through employment or other relationships, to information about the Registrant.

(a) In November 1998, we formed RC Transaction Corp. (renamed Resources Connection, Inc.). In December 1998, we issued 5,243,000 shares of our common stock to certain members of our management pursuant to the 1998 Employee Stock Purchase Plan for an aggregate purchase price of $52,430. Between January 1999 and February 1999, we issued and sold the remaining 387,000 shares of common stock to certain members of our management for an aggregate purchase price of $3,870. Between February 1999 and August 2000, pursuant to the terms of the 1998 Employee Stock Purchase Plan we reacquired 388,000 shares of our common stock from employees who employment was being terminated. We resold these reaquired shares to certain employees for an aggregate purchase price of $264,000. We relied on the exemption provided by Rule 701 of the General Regulations under the Securities Act of 1933, as amended.

(b) On and around April 1, 1999, we issued and sold 9,855,260 shares of our Common Stock and 144,740 shares of our Class B Common Stock to 22 accredited investors and 30 additional investors for an aggregate purchase price of $10,000,000. Simultaneously, we issued and sold subordinated notes, bearing 12% interest per annum with a maturity date of April 15, 2004, in an aggregate principal amount of $22,000,000 to the same investors. We relied on the exemption provided by Section 4(2) under the Securities Act and Regulation D promulgated thereunder. The recipients of the above-described securities represented their intention to acquire the securities for investment only and not with a view to distribution thereof.

(c) Between June 17, 1999 and August 26, 2000, we have granted stock options to certain of our employees pursuant to our 1999 Long-Term Incentive Plan. We relied on the exemption provided by Rule 701 of the General Regulations under the Securities Act of 1933, as amended.

Item 16. Exhibits And Financial Statement Schedule

(a) Exhibits.

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement.
3.1(a)	Restated Certificate of Incorporation.
3.1(b)	Amendment to Restated Certificate of Incorporation.
3.2	Form of Second Restated Certificate of Incorporation, to be filed and become effective upon the closing of this offering.
3.3	Bylaws, as currently in effect.
3.4	Form of Amended and Restated Bylaws, as amended, to become effective upon closing of this offering.
4.1	Stockholders Agreement, dated April 1, 1999, between Resources Connection, Inc. and certain stockholders of Resources Connection, Inc.
4.2*	Specimen Stock Certificate.

Exhibit Number	Description of Document
5.1*	Opinion of O'Melveny & Myers, LLP.
10.1	Resources Connection, Inc. 1998 Employee Stock Purchase Plan.
10.2	Resources Connection, Inc. 1999 Long-Term Incentive Plan.
10.3	Employment Agreement, dated April 1, 1999, between Resources Connection, Inc. and Donald B. Murray.
10.4	Employment Agreement, dated April 1, 1999, between Resources Connection, Inc. and Stephen J. Giusto.
10.5	Employment Agreement, dated April 1, 1999, between Resources Connection, Inc. and Karen M. Ferguson.
10.6	Employment Agreement, dated April 1, 1999, between Resources Connection, Inc. and Brent M. Longnecker.
10.7	Credit Agreement, dated April 1, 1999, by and among Resources Connection, Inc., RCLLC Acquisition Corp., Resources Connection LLC, Bankers Trust Company, as collateral agent.
10.8	Pledge Agreement, dated as of April 1, 1999, made by each of Resources Connection, Inc., RCLLC Acquisition Corp. and Resources Connection LLC to Bankers Trust Company, as collateral agent.
10.9	Security Agreement, dated April 1, 1999, among Resources Connection, Inc., certain of its subsidiaries and Bankers Trust Company, as collateral agent.
10.10	Sublease, dated as of March 1, 2000, by and between Enterprise Profit Solutions Corporation and Resources Connection LLC.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Accountants.
23.2	Consent of O'Melveny & Myers LLP. Reference is made to Exhibit 5.1.
24.1	Power of Attorney. Reference is made to page II-9.
27	Financial Data Schedule.

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* To be filed by amendment.

(b) Financial Statement Schedules.

Schedule II--Valuation and Qualifying Accounts.

All other schedules are omitted because they are not required, are not applicable or the information is included in our financial statements or notes thereto.

Item 17. Undertakings

The Registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Exchange Act of 1934, as amended (the "Exchange Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to provisions described in Item 14 or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Exchange Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant 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 Registrant 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 Exchange Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Exchange Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Exchange 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.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Stockholders and the Board of Directors of Resources Connection, Inc.

Our audits of the consolidated financial statements of Resources Connection, Inc. referred to in our report dated July 17, 2000 appearing in this registration statement on Form S-1 also included an audit of the financial statement schedule listed in Item (16)(b) of this Form S-1. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Costa Mesa, California
July 17, 2000

RESOURCES CONNECTION, INC.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Charged to Operations	Write-offs	Purchase of Resources Connection LLC	Ending Balance
Allowance for Doubtful Accounts					
Period from November 16, 1998 (date of inception) to May 31, 1999	$ --	$ 200,000	$(248,220)	$955,290	$ 907,070
Year Ended May 31, 2000	$907,070	$1,048,502	$(369,357)	$	$1,586,215

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Members of Resources Connection LLC

Our audits of the financial statements of Resources Connection LLC referred to in our report dated August 6, 1999 appearing in this registration statement on Form S-1 also included an audit of the financial statement schedule listed in Item (16)(b) of this Form S-1. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related financial statements.

PricewaterhouseCoopers LLP

Costa Mesa, California
August 6, 1999

RESOURCES CONNECTION LLC

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Charged to Operations	Write-offs	Ending Balance
Allowance for Doubtful Accounts				
Year Ended May 31, 1998.....	$266,560	$278,760	$(123,030)	$422,290
Period from June 1, 1998 to March 31, 1999.....	$422,290	$533,000	$	$955,290

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Newport Beach, County of Orange, State of California, on August 31, 2000.

/s/ Donald B. Murray
By: _____
Donald B. Murray
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Donald B. Murray and Stephen J. Giusto, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments, exhibits thereto and other documents in connection therewith) to this Registration Statement and any subsequent registration statement filed by the registrant pursuant to Rule 462(b) of the Securities Act of 1933, as amended, which relates to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Donald B. Murray Donald B. Murray	Chief Executive Officer, President and Director (Principal Executive Officer)	August 31, 2000
/s/ Stephen J. Giusto Stephen J. Giusto	Chief Financial Officer, Executive Vice President of Corporate Development, Secretary and Director (Principal Financial Officer)	August 31, 2000
/s/ Karen M. Ferguson Karen M. Ferguson	Executive Vice President and Director	August 31, 2000
/s/ David G. Offensend David G. Offensend	Director	August 31, 2000
/s/ Ciara A. Burnham Ciara A. Burnham	Director	August 31, 2000
/s/ Gerald Rosenfeld Gerald Rosenfeld	Director	August 31, 2000
/s/ Leonard Schutzman Leonard Schutzman	Director	August 31, 2000
/s/ John C. Shaw John C. Shaw	Director	August 31, 2000
/s/ C. Stephen Mansfield C. Stephen Mansfield	Director	August 31, 2000

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

EXHIBITS
to
FORM S-1

RESOURCES CONNECTION, INC.

EXHIBIT INDEX

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement.
3.1(a)	Restated Certificate of Incorporation.
3.1(b)	Amendment to Restated Certificate of Incorporation.
3.2	Form of Second Restated Certificate of Incorporation, to be filed and become effective upon the closing of this offering.
3.3	Bylaws, as currently in effect.
3.4	Amended and Restated Bylaws, as amended, to be filed and become effective upon the closing of this offering.
4.1	Stockholders Agreement, dated April 1, 1999, between Resources Connection, Inc. and certain stockholders of Resources Connection, Inc.
4.2*	Specimen Stock Certificate.
5.1*	Opinion of O'Melveny & Myers LLP.
10.1	Resources Connection, Inc. 1998 Employee Stock Purchase Plan.
10.2	Resources Connection, Inc. 1999 Long-Term Incentive Plan.
10.3	Employment Agreement, dated April 1, 1999, between Resources Connection, Inc. and Donald B. Murray.
10.4	Employment Agreement, dated April 1, 1999, between Resources Connection, Inc. and Stephen J. Giusto.
10.5	Employment Agreement, dated April 1, 1999, between Resources Connection, Inc. and Karen M. Ferguson.
10.6	Employment Agreement, dated April 1, 1999, between Resources Connection, Inc. and Brent M. Longnecker.
10.7	Credit Agreement, dated April 1, 1999, by and among Resources Connection, Inc., RCLLC Acquisition Corp., Resources Connection LLC, Bankers Trust Company, as collateral agent.
10.8	Pledge Agreement, dated as of April 1, 1999, made by each of Resources Connection, Inc., RCLLC Acquisition Corp. and Resources Connection LLC to Bankers Trust Company, as collateral agent.
10.9	Security Agreement, dated April 1, 1999, among Resources Connection, Inc., certain of its subsidiaries and Bankers Trust Company, as collateral agent.
10.10	Sublease, dated as of March 1, 2000, by and between Enterprise Profit Solutions Corporation and Resources Connection LLC.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Accountants.
23.2	Consent of O'Melveny & Myers LLP. Reference is made to Exhibit 5.1.
24.1	Power of Attorney. Reference is made to page II-9.
27	Financial Data Schedule.

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* To be filed by amendment.

EXHIBIT 3.1(a)

RESTATED
CERTIFICATE OF INCORPORATION
OF
RC TRANSACTION CORP.

RC Transaction Corp., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

A. The name of the corporation is RC Transaction Corp. RC Transaction Corp. was originally incorporated under the same name, and the original Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on November 16, 1998.

B. Pursuant to the provisions of Section 228 of the General Corporation Law of the State of Delaware, the stockholders of this corporation have consented to the following amendment and restatement.

C. Pursuant to Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware, this Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Certificate of Incorporation of this corporation.

D. The text of the Restated Certificate of Incorporation as heretofore amended or supplemented is hereby restated and further amended to read in its entirety as follows:

1. NAME OF CORPORATION. The name of the corporation is RC Transaction Corp.

2. REGISTERED AGENT. The name and address of the corporation's registered agent in Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle.

3. PURPOSE. The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law (the "DGCL").

4. AUTHORIZED STOCK.

(a) The corporation is authorized to issue two classes of shares designated "Preferred Stock" and "Common Stock". The aggregate number of shares which the corporation shall have the authority to issue is 40,000,000 shares of capital stock, consisting of 35,000,000 shares of Common Stock, par value $.01 per share, and 5,000,000 shares of Preferred Stock, par value $.01 per share.

(b) The shares of Common Stock may be issued from time to time in one or more series. The first series shall be designated as "Class A Common Stock" and shall

consist of 25,000,000 shares, par value $.01 per share. The second series shall be designated as "Class B Common Stock" and shall consist of 3,000,000 shares, par value $.01 per share. The third series shall be designated as "Class C Common Stock" and shall consist of 7,000,000 shares, par value $.01 per share. The relative rights, preferences and limitations of Class A Common Stock, Class B Common Stock and Class C Common Stock are identical in all respects, except that: (i) the voting power for the election of directors and for all other purposes is vested exclusively in the holders of Class A Common Stock, (ii) except as otherwise required by the Delaware General Corporation Law, the holders of shares of Class B and Class C Common Stock shall have no voting rights and their consent shall not be required for the taking of any corporate action and (iii) the corporation's board of directors is authorized to provide for the conversion of shares of Class B Common Stock and shares of Class C Common Stock into an equal number of shares of Class A Common Stock and the conversion of shares of Class A Common Stock into an equal number of shares of Class B Common Stock under such circumstances and in accordance with such provisions as may be set forth in a stockholders agreement approved by the corporation's board of directors and to which the corporation is a party.

(c) The corporation's board of directors is authorized to provide for the issuance of any or all shares of the Preferred Stock in one or more series, and to fix by resolution or resolutions the designations, powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions, for each such series, and the number of shares constituting any such series, and to increase or decrease the number of shares of any series subsequent to the issuance thereof, but not below the number thereof then outstanding.

(d) Upon the filing in the Office of the Secretary of State of Delaware of this Restated Certificate of Incorporation, each issued and outstanding share of Class A Common Stock, Class B Common Stock and Class C Common Stock shall thereby and thereupon be reclassified as and changed into ten (10) shares of Class A Common Stock, Class B Common Stock and Class C Common Stock, respectively.

5. LIABILITY AND INDEMNIFICATION. The personal liability of the corporation's directors is hereby eliminated to the fullest extent permitted by the DGCL (or by applicable law if the DGCL is deemed not to apply), as may be amended. The corporation shall indemnify its directors and officers to the fullest extent permitted by law, as now or hereafter in effect, and such right to indemnification shall continue as to a person who has ceased to be a director or officer of the corporation and shall inure to the benefit of his or her heirs, executors and personal and legal representatives. The corporation may, to the extent authorized from time to time by the corporation's board of directors and permitted by law, indemnify employees and agents of the corporation. The corporation is authorized to provide, by bylaw, agreement or otherwise, for indemnification of directors, officers, employees and agents in excess of the indemnification otherwise permitted by applicable law. The rights to indemnification under this article shall not be exclusive of any other right which any person may have or hereafter acquire under any law, bylaw, agreement, or vote of the corporation's stockholders or directors or

otherwise. Any repeal or modification of this article shall not adversely affect any right or protection of a director or officer of the corporation existing at the time of such repeal or modification with respect to any act or omission occurring prior to such repeal or modification.

6. AMENDMENT OF BYLAWS. In addition to the other powers conferred by law, the corporation's board of directors shall have the power to adopt, repeal, amend or restate the corporation's bylaws.

7. AMENDMENT OF CERTIFICATE. The corporation reserves the right to amend or repeal any provision contained in, and to add any provision authorized by the DGCL to, this Restated Certificate of Incorporation, and all rights, preferences and privileges conferred upon the corporation's stockholders by and pursuant to this Restated Certificate of Incorporation in its present form or as hereafter amended are granted subject to this reservation.

8. ELECTION OF DIRECTORS. The corporation's directors shall be elected by a majority of the shares of the corporation's common stock entitled to vote in the election of the corporation's directors issued and outstanding as of the record date for such election.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Restated Certificate of Incorporation has been signed by Donald B. Murray, its President, and Stephen J. Giusto, its Secretary, this 25th day of March, 2000.

/s/ Donald B. Murray

Donald B. Murray
President

/s/ Stephen J. Giusto

Stephen J. Giusto
Secretary

EXHIBIT 3.1(b)

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
RC TRANSACTION CORP.

RC TRANSACTION CORP., a corporation organized and existing under and by virtue of the Delaware General Corporation Law (the "Corporation"), DOES HEREBY CERTIFY THAT:

FIRST: The Board of Directors of this Corporation adopted a resolution setting forth a proposed amendment of the Restated Certificate of Incorporation of this Corporation (the "Current Certificate"). The resolutions setting forth the proposed amendments is as follows:

"RESOLVED, that Paragraph 1. of the Current Certificate be amended in its entirety to read as follows:

"1. NAME OF CORPORATION. The name of the corporation is Resources Connection, Inc."

RESOLVED FURTHER, that Paragraphs 4(a), 4(b) and 4(c) of the Current Certificate be amended in their entirety to read as follows:

"(a) The corporation is authorized to issue two classes of shares designated "preferred stock" and "common stock." The aggregate number of shares which the corporation shall have the authority to issue is 40,000,000 shares of capital stock, consisting of 35,000,000 shares of common stock, par value $.01 per share, and 5,000,000 shares of preferred stock, par value $.01 per share.

(b) The shares of common stock may be issued from time to time in one or more series. The first series shall be designated as "Common Stock" and shall consist of 25,000,000 shares, par value $.01 per share. The second series shall be designated as "Class B Common Stock" and shall consist of 3,000,000 shares, par value $.01 per share. The third series shall be designated as "Class C Common Stock" and shall consist of 7,000,000 shares, par value $.01 per share. The relative rights, preferences and limitations of Common Stock, Class B Common Stock and Class C Common Stock are identical in all respects, except that: (i) the voting power for the election of directors and for all other purposes is vested exclusively in the holders of Common Stock, (ii) except as otherwise required by the Delaware General Corporation Law, the holders of shares of Class B and Class C Common Stock shall have no voting rights and their consent shall not be required for the taking of any corporate action and (iii) the corporation's board of directors is authorized to provide for the conversion of shares of Class B Common Stock and shares of Class C Common Stock into an equal number of shares of Common Stock and the conversion of shares of Common Stock into an equal number of shares of Class B Common Stock under such circumstances and in accordance with such provisions as may

be set forth in a stockholders agreement approved by the corporation's board of directors and to which the corporation is a party.

(c) The corporation's board of directors is authorized to provide for the issuance of any or all shares of the preferred stock in one or more series, and to fix by resolution or resolutions the designations, powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions, for each such series, and the number of shares constituting any such series, and to increase or decrease the number of shares of any series subsequent to the issuance thereof, but not below the number thereof then outstanding."

RESOLVED FURTHER, that Paragraphs 4(e) and 4(f) set forth below be added to the Current Certificate immediately following Paragraph 4(d):

"(e) Upon the filing in the Office of the Secretary of State of Delaware of this Restated Certificate of Incorporation, each issued and outstanding share of Class A Common Stock shall thereby and thereupon be reclassified as and changed into one share of Common Stock and, in addition, any right to acquire, or convert a share of outstanding stock into, a share of Class A Common Stock shall thereby and thereupon be reclassified as and changed into a right to acquire, or convert a share of outstanding stock into, a share of Common Stock.

(f) Upon the consummation of the sale, in an underwritten public offering, registered under the Securities Act of 1933, as amended, of shares of common stock of the corporation, (A) immediately after which the number of shares of common stock of the corporation then publicly held constitute at least 20% of the outstanding shares of common stock, on a fully diluted basis, and (B) which results in net cash proceeds to the corporation and/or its stockholders in connection with any prior underwritten registered public offerings of common stock, equals or exceeds $25,000,000, (i) each share of Class B Common Stock and Class C Common Stock shall automatically and simultaneously, without any action on the part of the board of directors of this corporation, the stockholders of this corporation or any other person, be converted into one share of Common Stock and (ii) any right to acquire, or convert a share of outstanding stock into, a share of Class B Common Stock or Class C Common Stock shall automatically and simultaneously, without any action on the part of the board of directors of this corporation, the stockholders of this corporation or any other person, be converted into the right to acquire, or convert a share of outstanding stock into, one share of Common Stock."

SECOND: Pursuant to the provisions of Section 228 of the Delaware General Corporation Law, a majority of the stockholders of this Corporation consented to the above amendment.

THIRD: That the above amendment was duly adopted in accordance with the applicable provisions of Sections 141, 228 and 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, this Corporation has caused this Certificate to be signed by Donald Murray, its President and Chief Executive Officer, and attested by Stephen Giusto, its Secretary, this 31st day of August, 2000.

RC TRANSACTION CORP.

/s/ Donald B. Murray

Name: Donald B. Murray
Title: President and Chief Executive Officer

ATTEST:

/s/ Stephen J. Giusto

Name: Stephen J. Giusto
Title: Secretary

EXHIBIT 3.2

SECOND RESTATED CERTIFICATE OF INCORPORATION OF RESOURCES CONNECTION, INC.

Resources Connection, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies as follows:

FIRST: The name of the Corporation is Resources Connection, Inc. A Certificate of Incorporation of the Corporation was originally filed by the Corporation with the Secretary of State of the State of Delaware on November 16, 1998. The Corporation was originally incorporated under the name RC Transaction Corp. A Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on March 25, 2000 (as amended, the "Certificate of Incorporation") providing for a 10:1 stock split of all shares of stock of the Corporation. A Certificate of Amendment of Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on August 31, 2000, changing the name of the Corporation from RC Transaction Corp. to Resources Connection, Inc. and changing the name of the Class A Common Stock of the Corporation to "Common Stock".

SECOND: This Second Restated Certificate of Incorporation restates, amends and supersedes the Certificate of Incorporation of the Corporation as originally filed and thereafter amended and restated, was duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL, and was approved by written consent of the stockholders of the Corporation given in accordance with the provisions of Section 228 of the DGCL (prompt notice of such action having been given to those stockholders who did not consent in writing).

THIRD: The text of the Certificate of Incorporation of the Corporation is hereby amended, restated and superseded to read in its entirety as follows:

ARTICLE I.

NAME

The name of this Corporation is Resources Connection, Inc.

ARTICLE II.

REGISTERED AGENT

The address of the registered office of the Corporation in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle.

ARTICLE III.

PURPOSE

The purpose of this Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware.

ARTICLE IV.

CAPITAL STOCK

A. This Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is forty million (40,000,000) shares, consisting of thirty-five million (35,000,000) shares of Common Stock, par value $.01 per share, and five million (5,000,000) shares of Preferred Stock, no stated par value per share.

B. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, by filing a certificate pursuant to the DGCL, to fix or alter from time to time the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance thereof, but not below the number of shares thereof then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V.

MANAGEMENT AND BYLAWS

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

A. Management. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed exclusively by one or more resolutions adopted by the Board of Directors.

1. Election and Tenure of Directors.

a. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "1993 Act"), covering the offer and sale of Common Stock to the public (the "Initial Public Offering"), the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the Initial Public Offering, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the Initial Public Offering, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

b. In the event that the Corporation is unable to have a classified Board of Directors under applicable law, Section A.1.a. of this Article V shall not apply and all directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting.

c. No stockholder entitled to vote at an election for directors may cumulate votes to which such stockholder is entitled.

Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

2. Vacancies.

a. Subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

b. If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the DGCL.

3. Removal of Directors. The Board of Directors or any individual director may be removed from office at any time with or without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on such removal.

B. Bylaws.

1. Bylaw Amendments. Subject to paragraph (h) of Section 44 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock of the Corporation entitled to vote. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

2. Written Ballot. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

3. Action Without Meeting. No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of stockholders called in accordance with the Bylaws.

4. Stockholder Nominations. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

ARTICLE VI.

LIMITATION OF LIABILITY

A. The liability of the directors for monetary damages shall be eliminated to the fullest extent under applicable law.

B. Any repeal or modification of this Article VI shall be prospective and shall not affect the rights under this Article VI in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

ARTICLE VII.

AMENDMENTS AND REPEAL

A. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, except as provided in paragraph B. of this Article VII, and all rights conferred upon the stockholders herein are granted subject to this reservation.

B. Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the Voting Stock required by law, this Certificate of Incorporation or any Preferred Stock Designation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI, and VII.

IN WITNESS WHEREOF, the undersigned has caused this Second Restated Certificate of Incorporation to be duly executed on behalf of the Corporation on _____ __, 2000.

RESOURCES CONNECTION, INC.

By: _____

BYLAWS

OF

RC TRANSACTION CORP.,
a Delaware corporation

TABLE OF CONTENTS

BYLAWS
OF

RC TRANSACTION CORP.,
a Delaware corporation

ARTICLE I
Offices

Section 1.1 Registered Office. The registered office of this Corporation shall be in the City of Wilmington, County of New Castle, Delaware and the name of the resident agent in charge thereof is the agent named in the Certificate of Incorporation until changed by the Board of Directors (the "Board").

Section 1.2 Principal Office. The principal office for the transaction of the business of the Corporation shall be at such place as may be established by the Board. The Board is granted full power and authority to change said principal office from one location to another.

Section 1.3 Other Offices. The Corporation may also have an office or offices at such other places, either within or without the State of Delaware, as the Board may from time to time designate or the business of the Corporation may require.

ARTICLE II
Meetings of Stockholders

Section 2.1 Time and Place of Meetings. Meetings of stockholders shall be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2.2 Annual Meetings. Annual meetings of the stockholders of the Corporation for the purpose of electing directors and for the transaction of such other proper business as may come before such meetings may be held at such time, date and place as the Board shall determine by resolution.

Section 2.3 Special Meetings. Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Board, or by a committee of the Board that has been duly designated by the Board and whose powers and authority, as provided in a resolution of the Board or in the Bylaws of the Corporation, include the power to call such meetings, and shall be called by the president or secretary at the request in writing of a majority of the Board, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote but such special meetings may not be called by any other person or persons; provided, however, that if and to the extent that any special meeting of stockholders may be called by any other person or persons specified in any provisions of the Certificate of Incorporation or any amendment thereto, or any certificate filed under Section 151(g) of the Delaware General Corporation Law (or its successor statute as in effect from time to time hereafter), then such special meeting may also be called by the person or persons in the manner, at the times and for

the purposes so specified. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 2.4 Stockholder Lists. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or at the place of the meeting, and the list shall also be available at the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 2.5 Notice of Meetings. Notice of each meeting of stockholders, whether annual or special, stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which such meeting has been called, shall be given to each stockholder of record entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. Except as otherwise expressly required by law, notice of any adjourned meeting of the stockholders need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken.

Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Notice of any meeting of stockholders shall be deemed waived by any stockholder who shall attend such meeting in person or by proxy, except a stockholder who shall attend such meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 2.6 Quorum and Adjournment. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for holding all meetings of stockholders, except as otherwise provided by applicable law or by the Certificate of Incorporation; provided, however, that the stockholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum. If it shall appear that such quorum is not present or represented at any meeting of stockholders, the Chairman of the meeting shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. The Chairman of the meeting may determine that a quorum is present based upon any reasonable evidence of the presence in person or by proxy of stockholders holding a majority of the

outstanding votes, including without limitation, evidence from any record of stockholders who have signed a register indicating their presence at the meeting.

Section 2.7 Voting. In all matters, when a quorum is present at any meeting, the vote of the holders of a majority of the capital stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of applicable law or of the Certificate of Incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question. Such vote may be viva voce or by written ballot; provided, however, that the Board may, in its discretion, require a written ballot for any vote, and further provided that all elections for directors must be by written ballot upon demand made by a stockholder at any election and before the voting begins.

Unless otherwise provided in the Certificate of Incorporation each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder.

Section 2.8 Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize in writing another person or persons to act for such holder by proxy, but no proxy shall be voted or acted upon after three years from its date, unless the person executing the proxy specifies therein the period of time for which it is to continue in force.

Section 2.9 Inspectors of Election. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation or the Chairman of the meeting shall appoint one or more alternate inspectors to replace any inspector who fails to act. Each inspector, before undertaking his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector shall ascertain the number of shares outstanding and the voting power of each, determine the shares represented at the meeting and the validity of the proxies and ballots, count all votes and ballots, determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspector shall perform his or her duties and shall make all determinations in accordance with the Delaware General Corporation Law including, without limitation, Section 231 of the Delaware General Corporation Law.

The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery upon application by a stockholder shall determine otherwise.

The appointment of inspectors of election shall be in the discretion of the Board until such time as the Corporation has a class of voting stock that is (i) listed on a national securities exchange, (ii) authorized for quotation on an interdealer quotation system of a

registered national securities association, or (iii) held of record by more than 2,000 stockholders, at which time appointment of inspectors shall be obligatory.

Section 2.10 Action Without Meeting. Any action of the stockholders may be taken without a meeting, if a majority of the stockholders consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of stockholders, provided, that, prompt notice of the taking of the action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III
Directors

Section 3.1 Powers. The Board shall have the power to manage or direct the management of the property, business and affairs of the Corporation, and except as expressly limited by law, to exercise all of its corporate powers. The Board may establish procedures and rules, or may authorize the Chairman of any meeting of stockholders to establish procedures and rules, for the fair and orderly conduct of any meeting including, without limitation, registration of the stockholders attending the meeting, adoption of an agenda, establishing the order of business at the meeting, recessing and adjourning the meeting for the purposes of tabulating any votes and receiving the results thereof, the timing of the opening and closing of the polls, and the physical layout of the facilities for the meeting.

Section 3.2 Number, Election and Tenure. The Board shall consist of one or more members. The exact number shall be determined from time to time by resolution of the Board. Until otherwise determined by such resolution, the Board shall consist of not fewer than 2 and not greater than 7 persons, with the exact number of directors to be set from time to time by the Board. Directors shall be elected at the annual meeting of stockholders and each director shall serve until such person's successor is elected and qualified or until such person's death, retirement, resignation or removal.

Section 3.3 Vacancies and Newly Created Directorships. Any newly created directorship resulting from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy on the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director.

Section 3.4 Meetings. The Board may hold meetings, both regular and special, either within or outside the State of Delaware.

Section 3.5 Annual Meeting. The Board shall meet as soon as practicable after each annual election of directors.

Section 3.6 Regular Meetings. Regular meetings of the Board shall be held without call or notice at such time and place as shall from time to time be determined by resolution of the Board.

Section 3.7 Special Meetings. Special meetings of the Board may be called at any time, and for any purpose permitted by law, by the Chairman of the Board (or, if the Board

does not appoint a Chairman of the Board, the President), or by the Secretary on the written request of any two members of the Board unless the Board consists of only one director in which case the special meeting shall be called on the written request of the sole director, which meetings shall be held at the time and place designated by the person or persons calling the meeting. Notice of the time, place and purpose of any such meeting shall be given to the directors by the Secretary, or in case of the Secretary's absence, refusal or inability to act, by any other officer. Any such notice may be given by mail, by telegraph, by telephone, by facsimile, by personal service, or by any combination thereof as to different directors. If the notice is by mail, then it shall be deposited in a United States Post Office at least seventy-two hours before the time of the meeting; if by telegraph, by deposit of the message with the telegraph company at least twenty-four hours before the time of the meeting; if by telephone, by facsimile or by personal service, communicated or delivered at least twenty-four hours before the time of the meeting.

Section 3.8 Quorum. At all meetings of the Board, a majority of the whole Board shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by applicable law or by the Certificate of Incorporation or by these Bylaws. Any meeting of the Board may be adjourned to meet again at a stated day and hour. Even though a quorum is not present, as required in this Section, a majority of the directors present at any meeting of the Board, either regular or special, may adjourn from time to time until a quorum be had. Notice of any adjourned meeting need not be given.

Section 3.9 Fees and Compensation. Each director and each member of a committee of the Board shall receive such fees and reimbursement of expenses incurred on behalf of the Corporation or in attending meetings as the Board may from time to time determine. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.10 Meetings by Telephonic Communication. Members of the Board or any committee thereof may participate in a regular or special meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section shall constitute presence in person at such meeting.

Section 3.11 Committees. The Board may, by resolution passed by a majority of the whole Board, designate committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Upon the absence or disqualification of a member of a committee, if the Board has not designated one or more alternates (or if such alternate(s) are then absent or disqualified), the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member or alternate. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the

business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority in reference to: (a) amending the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board as provided in Section 151(a) of the Delaware General Corporation Law fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series); (b) adopting an agreement of merger or consolidation under Section 251 or 252 of the Delaware General Corporation Law; (c) recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets; (d) recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution; or (e) amending the Bylaws of the Corporation. Unless the resolution appointing such committee or the Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law. Each committee shall have such name as may be determined from time to time by resolution adopted by the Board. Each committee shall keep minutes of its meetings and report to the Board when required.

Section 3.12 Action Without Meetings. Unless otherwise restricted by applicable law or by the Certificate of Incorporation or by these Bylaws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board or committee.

Section 3.13 Removal. Unless otherwise restricted by the Certificate of Incorporation or by law, any director or the entire Board may be removed, with or without cause, by the holders of a majority of shares entitled to vote at an election of directors.

ARTICLE IV
Officers

Section 4.1 Appointment and Salaries. The officers of the Corporation shall be appointed by the Board and shall be a President and/or Chief Executive Officer, a Chief Operating Officer, a Chief Financial Officer, and a Secretary. The Board may also appoint a Chairman of the Board and one or more Vice Presidents and the Board or the President may appoint such other officers (including Assistant Secretaries and Financial Officers) as the Board or the President may deem necessary or desirable. The officers shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board. The Board shall fix the salaries of all officers appointed by it. Unless prohibited by applicable law or by the Certificate of Incorporation or by these Bylaws, one person may be elected or appointed to serve in more than one official capacity. Any vacancy occurring in any office of the Corporation shall be filled by the Board.

Section 4.2 Removal and Resignation. Any officer may be removed, either with or without cause, by the Board or, in the case of an officer not appointed by the Board, by the President. Any officer may resign at any time by giving notice to the Board, the President or Secretary. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein and, unless otherwise specified in such notice, the acceptance of the resignation shall not be necessary to make it effective.

Section 4.3 Chairman of the Board. The Board may, at its election, appoint a Chairman of the Board. If such an officer be elected, he or she shall, if present, preside at all meetings of the stockholders and of the Board and shall have such other powers and duties as may from time to time be assigned to him or her by the Board.

Section 4.4 President. Subject to such powers, if any, as may be given by the Board to the Chairman of the Board, if there is such an officer, the President shall be the chief executive officer of the Corporation with the powers of general manager, and he or she shall have supervising authority over and may exercise general executive powers concerning all of the operations and business of the Corporation, with the authority from time to time to delegate to other officers such executive and other powers and duties as he or she may deem advisable. If there be no Chairman of the Board, or in his or her absence, the President shall preside at all meetings of the stockholders and of the Board, unless the Board appoints another person who need not be a stockholder, officer or director of the Corporation, to preside at a meeting of stockholders.

Section 4.5 Vice President. In the absence of the President, or in the event of the President's inability or refusal to act, the Vice President, if any, (or if there be more than one Vice President, the Vice Presidents in the order of their rank or, if of equal rank, then in the order designated by the Board or the President or, in the absence of any designation, then in the order of their appointment) shall perform the duties of the President and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The rank of Vice Presidents in descending order shall be Executive Vice President, Senior Vice President and Vice President. The Vice President shall perform such other duties and have such other powers as the Board may from time to time prescribe.

Section 4.6 Secretary and Assistant Secretary. The Secretary shall attend all meetings of the Board (unless the Board shall otherwise determine) and all meetings of the stockholders and record all the proceedings of the meetings of the Corporation and of the Board in a book to be kept for that purpose and shall perform like duties for the committees when required. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and special meetings of the Board. The Secretary shall have custody of the corporate seal of the Corporation and shall (as well as any Assistant Secretary) have authority to affix the same to any instrument requiring it and to attest it. The Secretary shall perform such other duties and have such other powers as the Board or the President may from time to time prescribe.

Section 4.7 Chief Financial Officer. The Chief Financial Officer shall have custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be

designated by the Board. The Chief Financial Officer may disburse the funds of the Corporation as may be ordered by the Board or the President, taking proper vouchers for such disbursements, and shall render to the Board at its regular meetings, or when the Board so requires, an account of transactions and of the financial condition of the Corporation. The Chief Financial Officer shall perform such other duties and have such other powers as the Board or the President may from time to time prescribe.

If required by the Board, the Chief Financial Officer, if any, shall give the Corporation a bond (which shall be renewed at such times as specified by the Board) in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of such person's office and for the restoration to the Corporation, in case of such person's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in such person's possession or under such person's control belonging to the Corporation.

Section 4.8 Assistant Officers. An assistant officer shall, in the absence of the officer to whom such person is an assistant or in the event of such officer's inability or refusal to act (or, if there be more than one such assistant officer, the assistant officers in the order designated by the Board or the President or, in the absence of any designation, then in the order of their appointment), perform the duties and exercise the powers of such officer. An assistant officer shall perform such other duties and have such other powers as the Board or the President may from time to time prescribe.

ARTICLE V
SEAL

It shall not be necessary to the validity of any instrument executed by any authorized officer or officers of the Corporation that the execution of such instrument be evidenced by the corporate seal, and all documents, instruments, contracts and writings of all kinds signed on behalf of the Corporation by any authorized officer or officers shall be as effectual and binding on the Corporation without the corporate seal, as if the execution of the same had been evidenced by affixing the corporate seal thereto. The Board may give general authority to any officer to affix the seal of the Corporation and to attest the affixing by signature.

ARTICLE VI
Form of Stock Certificate

Every holder of stock in the Corporation shall be entitled to have a certificate signed by, or in the name of, the Corporation by the Chairman or Vice-Chairman of the Board of Directors, if any, or by the President or a Vice-President, and by the Chief Financial Officer or a Financial Officer, or the Secretary or an Assistant Secretary certifying the number of shares owned in the Corporation. Any or all of the signatures on the certificate may be a facsimile signature. If any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of the issuance.

If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock. Except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

ARTICLE VII
Representation of Shares of Other Corporations

Any and all shares of any other corporation or corporations standing in the name of the Corporation shall be voted, and all rights incident thereto shall be represented and exercised on behalf of the Corporation, as follows: (i) as the Board of the Corporation may determine from time to time, or (ii) in the absence of such determination, by the Chairman of the Board, or (iii) if the Chairman of the Board shall not vote or otherwise act with respect to the shares, by the President. The foregoing authority may be exercised either by any such officer in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officer.

ARTICLE VIII
Transfers of Stock

Upon surrender of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

ARTICLE IX
Lost, Stolen or Destroyed Certificates

The Board may direct a new certificate or certificates be issued in place of any certificate theretofore issued alleged to have been lost, stolen or destroyed, upon the making of an affidavit of the fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board may, in its discretion and as a condition precedent to the issuance, require the owner of such certificate or certificates, or such person's legal representative, to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the lost, stolen or destroyed certificate.

ARTICLE X
Record Date

The Board may fix in advance a date, which shall not be more than sixty days nor less than ten days preceding the date of any meeting of stockholders, nor more than 60 days prior to any other action, as a record date for the determination of stockholders entitled to notice of or to vote at any such meeting and any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise the rights in respect of any change, conversion or exchange of stock, and in such case such stockholders, and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

ARTICLE XI
Registered Stockholders

The Corporation shall be entitled to treat the holder of record of any share or shares of stock of the Corporation as the holder in fact thereof and shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by applicable law.

ARTICLE XII
Fiscal Year

The fiscal year of the Corporation shall be fixed by resolution of the Board.

ARTICLE XIII
Amendments

Subject to any contrary or limiting provisions contained in the Certificate of Incorporation, these Bylaws may be amended or repealed, or new Bylaws may be adopted (a) by the affirmative vote of the holders of at least a majority of the Common Stock of the Corporation, or (b) by the affirmative vote of the majority of the Board at any regular or special meeting. Any Bylaws adopted or amended by the stockholders may be amended or repealed by the Board or the stockholders.

ARTICLE XIV
Dividends

Section 14.1 Declaration. Dividends on the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board at any regular or special meeting, pursuant to law, and may be paid in cash, in property or in shares of capital stock.

Section 14.2 Set Aside Funds. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall determine to be in the best interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE XV
Indemnification and Insurance

Section 15.1 Right to Indemnification. Each person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action or inaction in an official capacity or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the laws of Delaware, as the same exist or may hereafter be amended, against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board. The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The Corporation may, by action of the Board, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

Section 15.2 Right of Claimant to Bring Suit. If a claim under Section 15.1 of this Article is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a

defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has failed to meet a standard of conduct which makes it permissible under Delaware law for the Corporation to indemnify the claimant for the amount claimed. Neither the failure of the Corporation (including its Board, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because he or she has met such standard of conduct, nor an actual determination by the Corporation (including its Board, independent legal counsel, or its stockholders) that the claimant has not met such standard of conduct, shall be a defense to the action or create a presumption that the claimant has failed to meet such standard of conduct.

Section 15.3 Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Section 15.4 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under Delaware law.

Section 15.5 Expenses as a Witness. To the extent that any director, officer, employee or agent of the Corporation is by reason of such position, or a position with another entity at the request of the Corporation, a witness in any action, suit or proceeding, he or she shall be indemnified against all costs and expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

Section 15.6 Indemnity Agreements. The Corporation may enter into agreements with any director, officer, employee or agent of the Corporation providing for indemnification to the full extent permitted by Delaware law.

CERTIFICATE OF SECRETARY
OF
RC TRANSACTION CORP.,
a Delaware corporation

I hereby certify that I am the duly elected and acting Secretary of RC Transaction Corp., a Delaware corporation, and that the foregoing Bylaws, comprising 12 pages, constitute the Bylaws of said corporation as duly adopted by the Board of Directors on November 16, 1998.

/s/ Stephen J. Giusto

Stephen J. Giusto
Secretary

EXHIBIT 3.4

AMENDED AND RESTATED BYLAWS

OF

RESOURCES CONNECTION, INC.
(A DELAWARE CORPORATION)

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AMENDED AND RESTATED BYLAWS

OF

RESOURCES CONNECTION, INC.
(A DELAWARE CORPORATION)

ARTICLE I
OFFICES

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

Section 2. Other Offices. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II
CORPORATE SEAL

Section 3. Corporate Seal. It shall not be necessary to the validity of any instrument executed by any authorized officer or officers of the Corporation that the execution of such instrument be evidenced by the corporate seal, and all documents, instruments, contracts and writings of all kinds signed on behalf of the Corporation by any authorized officer or officers shall be as effectual and binding on the Corporation without the corporate seal, as if the execution of the same had been evidenced by affixing the corporate seal thereto. The Board may give general authority to any officer to affix the seal of the Corporation and to attest the affixing by signature.

ARTICLE III
STOCKHOLDERS' MEETINGS

Section 4. Place of Meetings. Meetings of the stockholders of the corporation shall be held at such place, either within or without the State of Delaware, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the office of the corporation required to be maintained pursuant to Section 2 hereof.

Section 5. Annual Meetings.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders: (i) pursuant to the corporation's notice of meeting of stockholders; (ii) by or at the direction of the Board of Directors; or (iii) by any stockholder of the corporation who was a

stockholder of record at the time of giving of notice provided for in the following paragraph, who is entitled to vote at the meeting and who complied with the notice procedures set forth in Section 5.

At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of Section 5(a) of these Amended and Restated Bylaws (these "Bylaws"), (i) the stockholder must have given timely notice thereof in writing to the Secretary of the corporation, (ii) such other business must be a proper matter for stockholder action under the Delaware General Corporation Law ("DGCL"), (iii) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the corporation with a Solicitation Notice (as defined in this Section 5(b)), such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the corporation's voting shares reasonably believed by such stockholder or beneficial owner to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice, and (iv) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section 5. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (A) as to each person whom the stockholder proposed to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, (ii) the class and number of shares of the corporation which are

owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of the proposal, at least the percentage of the corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(b) Notwithstanding anything in the second sentence of Section 5(b) of these Bylaws to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the corporation at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 5 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

(c) Only such persons who are nominated in accordance with the procedures set forth in this Section 5 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 5. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

(d) Notwithstanding the foregoing provisions of this Section 5, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation proxy statement pursuant to Rule 14a-8 under the 1934 Act.

(e) For purposes of this Section 5, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

Section 6. Special Meetings.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized

directorships at the time any such resolution is presented to the Board of Directors for adoption) or (iv) the holders of shares entitled to cast not less than 10% of the votes at the meeting.

(b) If a special meeting is properly called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board of Directors, the Chief Executive Officer, or the Secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The Board of Directors shall determine the time and place of such special meeting, which shall be held not less than thirty-five (35) nor more than one hundred twenty (120) days after the date of the receipt of the request. Upon determination of the time and place of the meeting, the officer receiving the request shall cause notice to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. If the notice is not given within one hundred (100) days after the receipt of the request, the person or persons properly requesting the meeting may set the time and place of the meeting and give the notice. Nothing contained in this paragraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

(c) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the corporation who is a stockholder of record at the time of giving notice provided for in these Bylaws who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 6(c). In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by Section 5(b) of these Bylaws shall be delivered to the Secretary at the principal executive offices of the corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

Section 7. Notice of Meetings. Except as otherwise provided by law or the Certificate of Incorporation, written notice of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, date and hour and purpose or purposes of the meeting. Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully

called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 8. Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of the votes cast by the holders of shares of such class or classes or series shall be the act of such class or classes or series.

Section 9. Adjournment and Notice of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares casting votes. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 10. Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote shall have the right to do so either in person or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

Section 11. Joint Owners of Stock. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the DGCL, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

Section 12. List of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 13. Action Without Meeting. No action shall be taken by the stockholders except at an annual or special meeting of stockholders called in accordance with these Bylaws, and no action shall be taken by the stockholders by written consent.

Section 14. Organization.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to

the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV
DIRECTORS

Section 15. Number and Term of Office. The authorized number of directors of the corporation shall be fixed in accordance with the Certificate of Incorporation. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

Section 16. Powers. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation.

Section 17. Classes of Directors.

(a) Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "1933 Act"), covering the offer and sale of Common Stock of the corporation (the "Initial Public Offering"), the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the Initial Public Offering, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the Initial Public Offering, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

(b) In the event that the corporation is unable to have a classified Board of Directors under applicable law, Section 17(a) of these Bylaws shall not apply and all directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting.

(c) No stockholder entitled to vote at an election for directors may cumulate votes to which such stockholder is entitled.

Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 18. Vacancies.

(a) Unless otherwise provided in the Certificate of Incorporation, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Section 18 in the case of the death, removal or resignation of any director.

(b) If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the DGCL.

Section 19. Resignation. Any director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified.

Section 20. Removal. Unless otherwise restricted by the Certificate of Incorporation or by law, the Board of Directors or any individual director may be removed from office at any time with or without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on such removal.

Section 21. Meetings.

(a) Annual Meetings. The annual meeting of the Board of Directors shall be held immediately before or after the annual meeting of stockholders and at the place where such meeting is held. No notice of an annual meeting of the Board of Directors shall be necessary and such meeting shall be held for the purpose of electing officers and transacting such other business as may lawfully come before it.

(b) Regular Meetings. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors. No formal notice shall be required for regular meetings of the Board of Directors.

(c) Special Meetings. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the President or any two directors.

(d) Telephone Meetings. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(e) Notice of Meetings. Notice of the time and place of all special meetings of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting, or sent in writing to each director by first class mail, charges prepaid, at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing at any time before or after the meeting and shall be deemed waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(f) Waiver of Notice. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present shall sign a written waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 22. Quorum and Voting.

(a) Unless the Certificate of Incorporation requires a greater number and except with respect to indemnification questions arising under Section 44 hereof, for which a quorum shall be one-third of the exact number of directors fixed from time to time in accordance

with the Certificate of Incorporation, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; provided, however, at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

Section 23. Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 24. Fees and Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

Section 25. Committees.

(a) Executive Committee. The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any bylaw of the corporation.

(b) Other Committees. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) Term. Each member of a committee of the Board of Directors shall serve a term on the committee coexistent with such member's term on the Board of Directors. The Board of Directors, subject to any requirements of any outstanding series of preferred Stock and the provisions of subsections (a) or (b) of this Bylaw, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 26. Organization. At every meeting of the directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President (if a director), or if the President is absent, the most senior Vice President (if a director), or, in the absence of any such person, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, any Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

ARTICLE V
OFFICERS

Section 27. Officers Designated. The officers of the corporation shall include, if and when designated by the Board of Directors, a Chairman of the Board of Directors, a Chief

Executive Officer and/or a President, one or more Vice Presidents, a Secretary, and a Chief Financial Officer, all of whom shall be elected at the annual organizational meeting of the Board of Directors. The Board of Directors may also appoint one or more Assistant Secretaries and Assistant Financial Officers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

Section 28. Tenure and Duties of Officers.

(a) General. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) Duties of Chairman of the Board of Directors. The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time. If there is no President, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 28.

(c) Duties of President. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. Unless some other officer has been elected Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

(d) Duties of Vice Presidents. The Vice Presidents may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(e) Duties of Secretary. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to his office and shall also perform such other

duties and have such other powers, as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(f) Duties of Chief Financial Officer. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct any Assistant Financial Officer to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Assistant Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

Section 29. Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 30. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

Section 31. Removal. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or superior officers upon whom such power of removal may have been conferred by the Board of Directors.

Section 32. Loans to Officers. The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

ARTICLE VI
EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

Section 33. Execution of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation.

All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 34. Voting of Securities Owned by the Corporation. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VII
SHARES OF STOCK

Section 35. Form and Execution of Certificates. Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, the Chief Executive Officer, the President or any Vice President and by the Secretary or an Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. Each certificate shall state upon the face or back thereof, in full or in summary, all of the powers, designations, preferences, and rights, and the limitations or restrictions of the shares authorized to be issued or shall, except as otherwise required by law, set forth on the face or back a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of

uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this section or otherwise required by law or with respect to this section a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

Section 36. Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

Section 37. Transfers.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

Section 38. Fixing Record Dates.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, subject to applicable law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the

stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 39. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII
OTHER SECURITIES OF THE CORPORATION

Section 40. Execution of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (pursuant to Section 35), may be signed by the Chairman of the Board of Directors, the Chief Executive Officer, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or an Assistant Financial Officer; provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX
DIVIDENDS

Section 41. Declaration of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting.

Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

Section 42. Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X
FISCAL YEAR

Section 43. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI
INDEMNIFICATION

Section 44. Indemnification of Directors, Officers, Employees and Other Agents.

(a) Directors and Officers. The corporation shall indemnify its directors and officers to the fullest extent not prohibited by the DGCL or any other applicable law; provided, however, that the corporation may modify the extent of such indemnification by individual contracts with its directors and officers; and, provided, further, that the corporation shall not be required to indemnify any director or officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the DGCL or any other applicable law or (iv) such indemnification is required to be made under subsection (d).

(b) Employees and Other Agents. The corporation shall have power to indemnify its employees and other agents as set forth in the DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person to such officers or other persons as the Board of Directors shall determine.

(c) Expenses. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer, of the corporation, or is or was serving at the request of the corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts

if it should be determined ultimately that such person is not entitled to be indemnified under this Section 44 or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Section 44, no advance shall be made by the corporation to an officer of the corporation (except by reason of the fact that such officer is or was a director of the corporation in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(d) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or officer. Any right to indemnification or advances granted by this Section 44 to a director or officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or officer is not entitled to be indemnified, or to such advancement of expenses, under this Section 44 or otherwise shall be on the corporation.

(e) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Delaware General Corporation Law, or by any other applicable law.

(f) Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) Insurance. To the fullest extent permitted by the DGCL or any other applicable law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Section 44.

(h) Amendments. Any repeal or modification of this Section 44 shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and officer to the full extent not prohibited by any applicable portion of this Section 44 that shall not have been invalidated, or by any other applicable law. If this Section 44 shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and officer to the full extent under any other applicable law.

(j) Certain Definitions. For the purposes of this Bylaw, the following definitions shall apply:

(1) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(2) The term "expenses" shall be broadly construed and shall include, without limitation, court costs, attorneys' fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(3) The term the "corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any

person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Section 44 with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(4) References to a "director," "executive officer," "officer," "employee," or "agent" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(5) References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Section 44.

ARTICLE XII
NOTICES

Section 45. Notices.

(a) Notice to Stockholders. Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, it shall be given in writing, timely and duly deposited in the United States mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the corporation or its transfer agent.

(b) Notice to Directors. Any notice required to be given to any director may be given by the method stated in subsection (a), or by overnight delivery service, facsimile, telex or telegram, except that such notice other than one which is delivered personally shall be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director.

(c) Affidavit of Mailing. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) Time Notices Deemed Given. All notices given by mail or by overnight delivery service, as above provided, shall be deemed to have been given as at the time of

mailing, and all notices given by facsimile, telex or telegram shall be deemed to have been given as of the sending time recorded at time of transmission.

(e) Methods of Notice. It shall not be necessary that the same method of giving notice be employed in respect of all directors, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(f) Failure to Receive Notice. The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such stockholder or such director to receive such.

(g) Notice to Person With Whom Communication is Unlawful. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(h) Notice to Person With Undeliverable Address. Whenever notice is required to be given, under any provision of law or the Certificate of Incorporation or Bylaws of the corporation, to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve-month period, have been mailed addressed to such person at his address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph.

ARTICLE XIII
AMENDMENTS

Section 1. Amendments. Subject to paragraph (h) of Section 44 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least

sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock of the corporation entitled to vote. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

EXECUTION COPY

STOCKHOLDERS AGREEMENT

This Stockholders Agreement (this "Agreement") is made as of April 1, 1999, among RC Transaction Corp., a Delaware corporation (the "Company"), the stockholders listed on Schedule I (the "Evercore Stockholders"), the stockholders listed on Schedule II (the "Management Stockholders"), and the stockholders listed on Schedule III (the "Outside Stockholders").

RECITALS

A. The Evercore Stockholders, the Step 1 Management Stockholders and the Outside Stockholders have acquired Common Stock and Subordinated Notes in the amounts set forth on Schedules I, II and III, respectively, pursuant to the Investment Agreement.

B. The Evercore Stockholders, the Step 1 Management Stockholders and the Outside Stockholders anticipate that certain Step 2 Management Stockholders will hereafter acquire Class A Common Stock and Subordinated Notes and, to the extent such Step 2 Management Stockholders do not acquire such Common Stock and Subordinated Notes, that the Evercore Stockholders will acquire such Common Stock and Subordinated Notes.

C. The parties desire to provide for the governance of the Company's affairs, and to provide for certain restrictions on the transfer of the Company's securities, in accordance with this Agreement.

AGREEMENT

The parties agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Certain Definitions. The following capitalized terms have the following meanings:

"AAA" means the American Arbitration Association.

"Affiliate" means, with respect to a specified Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, the specified Person.

"Bank Stockholder" means BT Capital Investors, L.P., BancBoston Investments Inc., and any of their respective Permitted Transferees that becomes a party to this Agreement in accordance Section 3.2.

"Beneficially Own" means, with respect to any security, to be the "beneficial owner" of that security as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

"Board" means the Company's board of directors.

"Chief Executive Officer" means the Company's chief executive officer.

"Class A Common Stock" means the Company's Class A common stock.

"Class B Common Stock" means the Company's Class B common stock.

"Class C Common Stock" means the Company's Class C common stock.

"Closing Date" has the meaning given in the Investment Agreement.

"Common Stock" means the Company's common stock, par value $.01 per share, including the Class A Common Stock, the Class B Common Stock and the Class C Common Stock.

"Directors" means the members of the Board.

"EBITDA" means the Company's earnings before interest, taxes, depreciation and amortization, as determined in accordance with GAAP.

"Evercore I" means Evercore Capital Partners L.P., a Delaware limited partnership.

"Evercore II" means Evercore Capital Partners (NQ) L.P., a Delaware limited partnership.

"Evercore III" means Evercore Capital Offshore Partners L.P., a Cayman Islands exempted limited partnership.

"Evercore IV" means Evercore Co-Investment Partnership L.P., a Delaware limited partnership.

"Fair Market Value" means, with respect to shares of Common Stock or any other Security, the fair market value thereof as determined reasonably and in good faith by the Board, in consultation with the Company's independent accountants.

"Fiscal Year" means the Company's fiscal year ended December 31 of each year.

"Founders' Stock" means shares of Common Stock acquired by Management Stockholders pursuant to the Stock Purchase Plan.

"GAAP" means generally accepted accounting principles, consistently applied.

"Initial Founders" means Donald B. Murray, Stephen J. Giusto, Karen Ferguson and David L. Schnitt, each for so long as he or she remains an employee and stockholder of the Company.

"Investment Agreement" means the Investment Agreement dated as of the date hereof among the Company, the Evercore Stockholders, the Outside Stockholders, and the Step 1 Management Stockholders.

"Permitted Transferee" means (i) with respect to a Management Stockholder or an Outside Stockholder who is a natural person: (A) such Stockholder's spouse, siblings or lineal descendants, (B) a Person who acquires any Securities of a Stockholder pursuant to a will or the laws of descent or distribution and (C) any trust the beneficiaries of which, or family limited partnership or limited liability company the limited partners or members of which, consist only of that Stockholder and/or his or her spouse, siblings and/or lineal descendants; (ii) with respect to a Management Stockholder, any other Stockholder; (iii) with respect to an Evercore Stockholder and, to the extent applicable, a Bank Stockholder: (A) that Stockholder's officers, employees or consultants, (B) any corporation or corporations, partnership or partnerships (or other entity for collective investment, such as a fund) which is (and continues to be) an Affiliate of that Stockholder and (C) the partners of that Stockholder and the general partners of such partners (in the case of a distribution by that Stockholder); (iv) with respect to a Rosenfeld Group Stockholder, each other Rosenfeld Group Stockholder, but only for so long as Gerald Rosenfeld (or his estate) continues to hold at least 50% of the shares of Common Stock held by him as of the date hereof and (v) with respect to an Evercore Stockholder, any transferee of shares of Class B Common Stock solely with respect to shares of Class B Common Stock, which may be converted into shares of Class A Common Stock pursuant to Section 4.8(c).

"Person" means any natural person, corporation, partnership (whether general, limited or limited liability), limited liability company, joint venture, estate, trust, association, governmental entity, or other entity or organization.

"President" means the Company's president.

"Public Offering" means a public offering of any Security.

"Qualified Public Offering" means the sale, in an underwritten public offering, registered under the Securities Act of 1933, as amended, of shares of Common Stock, (A) immediately after which the number of shares of Common Stock then publicly held constitute at least 20% of the outstanding shares of Common Stock, on a fully diluted basis, and (B) which results in cash proceeds to the Company and/or its stockholders which, when aggregated with any cash proceeds paid to the Company and/or its stockholders in connection with any prior underwritten registered public offerings of Common Stock, equals or exceeds $25,000,000.

"RCLLC" means Resources Connection LLC, a Delaware limited liability company.

"Regulation Y" means Regulation Y of the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 225 (or any successor to such Regulation).

"Regulatory Problem" means, with respect to any Bank Stockholder, any change of facts, events or circumstances occurring after the date hereof, the existence of which would cause such Bank Stockholder to believe that there is a substantial risk of assertion by a governmental entity (which belief shall be reasonable in light of the prevailing regulatory

environment and applicable law) that such Bank Stockholder is or would be in violation of any law, regulation, rule or other requirement of any governmental authority (including, without limitation, Regulation Y).

"Rosenfeld Group Stockholders" means Richard Gersten, Paul Lattanzio, Gerald Rosenfeld and Mainz Holdings Ltd.

"Securities" means the Common Stock, the Subordinated Notes, and any other securities of the Company, whether now owned or hereafter acquired by a Stockholder.

"Stockholders" means the Evercore Stockholders, the Management Stockholders, and the Outside Stockholders.

"Step 1 Management Stockholders" means Donald B. Murray and Stephen J. Giusto.

"Step 2 Management Stockholders" means the Management Stockholders, other than the Step 1 Management Stockholders, who become parties to this Agreement pursuant to Section 4.7.

"Stock Purchase Plan" means the Company's 1998 Employee Stock Purchase Plan.

"Strategic Transaction" means: (i) the sale, transfer, lease or assignment of all or substantially all of the Company's business or assets (whether or not such business is conducted or such assets are held by Subsidiaries) or (ii) the merger of the Company with or into another Person, the consolidation of the Company with another Person, the acquisition by another Person of equity securities of the Company, or a recapitalization, reorganization or other transaction, in each case following which the Stockholders do not own more than 50% of the outstanding voting stock of the surviving Person in such transaction.

"Subordinated Notes" means the Company's 12.0% Junior Subordinated Promissory Notes in the form attached to the Investment Agreement as Exhibit A thereto.

"Subsidiary" means any subsidiary of the Company, including (without limitation) RCLLC.

"Transfer" means transfer, sell, assign, pledge, encumber, grant a security interest in, or otherwise dispose of, whether voluntarily or involuntarily, directly or indirectly, in whole or in part.

"Voting Securities" means any securities of the Company entitled to vote in the election of directors, including Class A Common Stock.

1.2 Other Definitions. The following capitalized terms have the meanings given in the following Sections:

Term	section

Agreement	First Paragraph
Annual Business Plan	2.3(a)
Arbitration Rules	6.4(a)
Class A Designees	2.1(a)
Company Offer	3.9(b)(i)
Dispute	6.1
Dispute Notice	6.2
Disputing Parties	6.2
Drag-Along Sale	3.7(a)
Drag-A1ong Sale Date	3.7(c)
Eligible Offering	3.9(b)
Eligible Securities	3.10(b)
Emergency Rules	6.4(a)
Evercore Offered Securities	3.10(a)
Evercore Stockholders	First Paragraph
Evercore Transferee	3.10(a)
Initial Designees	2. 1(a)
Management Designees	2.1(a)
Management Stockholders	First Paragraph
Offered Securities	3.9(a)
Outside Stockholders	First Paragraph
Registration Expenses	3.11(b)
Registrable Securities	3.11(d)
Repurchase Notice	3.3(c)
Rightholder	3.10(a)
Sale Notice	3.7(c)
Stockholders' Representative	4.2(a)
Terminated Employee Stockholder	3.3(c)
Third Party	3.9(b)(ii)
Transfer Notice	3.3(a)

ARTICLE 2
CORPORATE GOVERNANCE

2.1 Composition of Board.

(a) Effective as of the Closing, the Board shall consist of eight directors, four of whom shall be designated by the Management Stockholders (the "Management Designees") and four of whom shall be designated by Stockholders representing a majority of the issued and

outstanding shares of Class A Common Stock (the "Class A Designees"). The initial Management Designees and Class A Designees are listed on Schedule 2.1(a) (the "Initial Designees").

(b) No Management Stockholder or Outside Stockholder shall vote any Voting Securities or execute any written consent for the removal of, or otherwise attempt to remove, any Class A Designee from the Board. No Evercore Stockholder or Outside Stockholder shall vote any Voting Securities or execute any written consent for the removal of, or otherwise attempt to remove, any Management Designee from the Board.

(c) If any Management Designee ceases to serve on the Board for any reason (including, without limitation, due to death, resignation or removal), the Management Stockholders shall have the right to fill the resulting vacancy. If any Class A Designee ceases to serve on the Board for any reason (including, without limitation, due to death, resignation or removal), Stockholders representing a majority of shares of issued and outstanding Class A Common Stock shall have the right to fill the resulting vacancy.

(d) Each Stockholder shall vote all of that Stockholder's Voting Securities or execute written consents, as the case may be, and take all other necessary action, including (without limitation) in connection with the nomination and election of Directors and the filling of vacancies on the Board, in order to ensure that the composition of the Board is as set forth in this Section 2.1.

(e) If a Management Designee is a party to an employment agreement with the Company or any Subsidiary (an "Employee/Designee"), and such Employee/Designee's employment is terminated pursuant to that agreement, then the Management Stockholders shall cause such Employee/Designee to resign promptly after the Management Stockholders have designated a replacement Management Designee and such replacement Management Designee has been elected to the Board, but in any event within 45 days after the Evercore Stockholders have given written notice to the Management Stockholders requesting such resignation; provided, however, that if such termination of employment is other than for Cause (as defined in such employment agreement) and, within such 45-day period, Management Stockholders representing a majority of the Management Stockholders' shares of Voting Securities have affirmed such Employee/Designee's status as the Management Designee, then the resignation of such Employee/Designee shall not be required.

2.2 Meetings. In addition to any other meetings that may be held by the Board, the Board shall hold regular meetings on a quarterly basis, in March, June, September and December of each year.

2.3 Annual Business Plan.

(a) Each Fiscal Year, the Company shall prepare an annual operating and financial plan for the next Fiscal Year (the "Annual Business Plan"). The Annual Business Plan shall include key financial targets (including, without limitation, revenues and EBITDA), a capital expenditure budget, key business development targets (including, without limitation, proposed new office openings or product line introductions) and any proposed material changes

to existing equity compensation arrangements with the Company's or its Subsidiaries' employees.

(b) At least 15 days before the December regular meeting of the Board each Fiscal Year, the Company shall submit a copy of the Annual Business Plan for the next Fiscal Year to each of the Directors.

(c) At the December regular meeting of the Board each Fiscal Year, the Company shall submit the Annual Business Plan for the next Fiscal Year to the Board for approval. If the Board does not approve the Annual Business Plan at the December regular meeting, then the Company and the Board shall use their best efforts to arrive at an Annual Business Plan that is acceptable to the Board and to seek Board approval thereof prior to the end of the then current Fiscal Year.

2.4 Financial Reports.

(a) The Company shall deliver the following financial reports to the Evercore Stockholders, the Bank Stockholders and each of the Directors:

(i) the Company's unaudited monthly, quarterly and year-to-date financial statements, prepared in accordance with GAAP (including a monthly and year-to-date balance sheet, profit and loss statement and cash flow statement), within 30 days after the end of each calendar month, or 45 days after the end of such quarter or Fiscal Year, as the case may be; and

(ii) the Company's audited year-end financial statements, prepared in accordance with GAAP (including balance sheet, profit and loss statement and cash flow statement), within 90 days of the end of each Fiscal Year.

(b) The Company shall make available to any Management Stockholder or Outside Stockholder, promptly after such Stockholder's request therefor, any financial information that has been provided to the Evercore Stockholders or the Directors pursuant to Section 2.4(a).

(c) All information provided pursuant to Section 2.4(a) or Section 2.4(b) shall be deemed confidential and proprietary information of the Company and shall not be disclosed by any Stockholder to any other Person; provided that the foregoing shall not apply to information that (A) was in the public domain before the date hereof or subsequently came into the public domain other than as a result of disclosure by such Stockholder in breach of this Agreement or (B) is required to be disclosed in a judicial or administrative proceeding or by law.

2.5 Certain Decisions by Majority Vote. Except as otherwise required by law or this Agreement, each of the following actions shall require the prior approval of the Board by simple majority vote (or, if the Board is deadlocked, the prior written consent of Stockholders representing a majority of the issued and outstanding shares of Class A Common Stock), in addition to any approval (if any) that may be required for such action under Section 2.6:

(a) beginning two years after the date hereof, any Public Offering;

(b) beginning four years after the date hereof, any Strategic Transaction;

(c) any acquisition or sale of assets by the Company not contemplated by the then current Annual Business Plan (other than as part of a Strategic Transaction) for a cumulative purchase price in excess of $1,000,000 in any twelve month period;

(d) the issuance of any Securities (other than pursuant to the exercise of employee stock options granted with the Board's approval);

(e) any changes to the Company's equity compensation arrangements (including stock option, stock purchase and similar plans) with the Company's employees (provided, however, that this subsection (e) shall not limit the authority and discretion of the administrator of any such plan to grant awards under any such plan);

(f) cause the Company to directly or indirectly incur, refinance, create, assume, guarantee or otherwise become liable with respect to (collectively, "incur"), any indebtedness, except (i) indebtedness incurred pursuant to the Credit Agreement (as defined in the Subordinated Notes), (ii) the Subordinated Notes and (iii) indebtedness incurred in the ordinary course of the Company's business in amounts not to exceed that contemplated by the Annual Business Plan;

(g) except in the ordinary course of the Company's business, cause the Company to enter into any transaction after the date hereof, or materially amend any transaction in effect on the date hereof, with any Affiliate of the Company;

(h) after the date of this Agreement, cause the Company to enter into, modify or terminate (including for purposes hereof, a decision not to renew or extend) any employment agreement with an Initial Founder;

(i) the modification of existing cash compensation arrangements between the Company and its two most highly compensated executives.

(j) the approval or material amendment of the Annual Business Plan for any Fiscal Year;

(k) (i) cause the Company to institute, voluntarily dismiss, terminate or settle any litigation or arbitration against any Person (A) involving claims for damages and penalties in excess of $100,000 on an individual basis or $500,000 in the aggregate in any twelve month period or (B) otherwise material to the Company and Subsidiaries taken as a whole (provided, however, that this subsection (k) provision shall not apply to any dispute between the Company and any Stockholder or its Affiliates); or (ii) enter into, agree to or otherwise become subject to any consent decree or other order issued by any governmental authority relating to the Company or any of its Affiliates and material to the Company and Subsidiaries taken as a whole; and

(l) any agreement by the Company (or, if applicable, any Subsidiary) that would obligate the Company (or such Subsidiary) to do any of the foregoing.

2.6 Certain Decisions by Super-Majority Vote. Notwithstanding any other provision of this Agreement (including Section 2.5), the following actions shall require the prior approval of the Board by the affirmative vote of at least five of the Directors:

(a) for a period of two years after the date hereof, any Public Offering of any Security;

(b) for a period of four years after the date hereof, any Strategic Transaction;

(c) (i) any issuance of Class B Common Stock or (ii) any issuance of Securities, reclassification, recapitalization or similar action that would result in the dilution of the Management Stockholders' aggregate voting power or equity interest in the Company (except (A) after the expiration of four years after the date of this Agreement, pursuant to a Strategic Transaction or (B) after the expiration of two years after the date of this Agreement, pursuant to a Public Offering that is a Qualified Public Offering), or otherwise adversely affect any rights or privileges of the Management Stockholders;

(d) with respect to the removal of the Chief Executive Officer, the determination of whether or not such removal is for "Cause" as defined in his or her employment agreement;

(e) the election of the Chairman of the Board;

(f) the declaration of any distributions or dividends to Stockholders (except interest payments to holders of Subordinated Notes in accordance therewith);

(g) any agreement or transaction by the Company with an Evercore Stockholder or any Affiliate of an Evercore Stockholder;

(h) any redemption or repurchase by the Company, or any purchase by any Subsidiary, of any Security Beneficially Owned by any Evercore Stockholder or any of their respective Affiliates;

(i) the dissolution or liquidation of, or filing for bankruptcy by, the Company;

(j) the designation or establishment of, and the selection of the members of, any committee of the Board;

(k) (i) any amendment to or repeal of any provision of the Company's certificate of incorporation or bylaws or (ii) any amendment to or repeal of any provision of any organizational document (including, without limitation, any certificate or articles of incorporation, bylaws, certificate or articles or organization, or operating agreement) of any Subsidiary;

(l) the Transfer of any common stock or other security of any material subsidiary or all or substantially all of the assets of any material Subsidiary (including, without limitation, any membership interest in or other security of RCLLC), or a merger, consolidation or reorganization involving any material Subsidiary, except, after the expiration of four years after the date of this Agreement, pursuant to a Strategic Transaction;

(m) the conversion of the Company from a corporation into any other type of entity;

(n) any amendment to, or the termination of, this Agreement;

(o) any change in the number of members of the Board;

(p) the approval of an investment pursuant to Section 4.1;

(q) the prior approval of an issuance or sale pursuant to Section 3.3(a)(i)(B);

(r) any amendment of any Subordinated Note, taking of any action, or omission to perform any act pursuant to Section 4 thereof; and

(s) any agreement by the Company (or, if applicable, any Subsidiary) that would obligate the Company (or such Subsidiary) to do any of the foregoing.

2.7 Officers.

(a) The initial Chief Executive Officer shall be Donald B. Murray, who shall only be removed from such position in accordance with his employment agreement with the Company.

(b) If, as a result of death, disability, retirement, resignation, removal or otherwise, there shall exist a vacancy in the office of Chief Executive Officer, the Board shall in good faith consider electing one of the other Initial Founders to fill such vacancy.

(c) The other officers of the Company shall be appointed as follows: (i) the Chief Financial Officer shall be recommended by the Chief Executive Officer and subject to election by the Board and (ii) other officers shall be appointed by the Company's Chief Executive Officer. The initial Chief Financial Officer as of the Closing shall be the individual listed on Schedule 2.7(c).

ARTICLE 3
TRANSFER OF SECURITIES

3.1 General Restriction. No Stockholder shall Transfer any Securities, except as expressly permitted by and in accordance with this Agreement.

3.2 Transfer to Permitted Transferees. A Stockholder may transfer all or part of his, her or its Securities to a Permitted Transferee; provided, however, that (a) prior to such transfer, the Permitted Transferee shall agree in writing, in form acceptable to the Company, to be bound by the terms of this Agreement and (b) any such transfer or attempted transfer shall be void and of no effect unless and until there has been full compliance with the requirements of this Section 3.2.

3.3 Transfer Upon Death of Stockholder or Termination of Employment.

(a) In the event of the death of a Management Stockholder, and if the Initial Founders or the Company, or any of them, give notice to the others invoking this Section 3.3(a) within six months after the date of death (the "Transfer Notice"), then (i) if, within 10 days after the date of the Transfer Notice, the Administrator of the Stock Purchase Plan determines (and gives the Initial Founders and the personal representative of the deceased Management Stockholder notice of such determination) to purchase a specified number of shares of such deceased Management Stockholder's Founders' Stock for the purpose of reserving such shares

for issuance upon the exercise of stock options to be granted to a qualified replacement for such deceased Management Stockholder, as may be reasonably deemed necessary to attract such a replacement, then (A) the Company shall have the right to purchase the number of shares of Founders' Stock so specified at the Fair Market Value thereof as of the date of death; provided, however, that (B) no shares so purchased by the Company shall be issued, sold or otherwise transferred except pursuant to the exercise of such stock options by such a replacement, without the prior approval of the Board pursuant to Section 2.6(q); (ii) the Initial Founders (or any of them) shall have the right to purchase all or part of the deceased Management Stockholder's remaining Founders' Stock at the Fair Market Value thereof as of the date of death by giving the Company and the personal representative of the deceased Management Stockholder notice of their intent to exercise their rights under this Section 3.3(a) within 20 days after the date of the Transfer Notice; and (iii) to the extent the Initial Founders do not exercise such repurchase right with respect to all of the deceased Management Stockholder's remaining Founders' Stock, the Company shall have the right, subject to Section 3.3(c), to purchase all or part of the remaining Founders' Stock of the deceased Management Stockholder at the Fair Market Value thereof as of the date of death by giving the personal representative of the deceased Management Stockholder notice of the Company's intent to exercise its rights under this Section 3.3(a) within 30 days after the date of the Transfer Notice. This Section 3.3(a) is subject to the provisions of Section 3.8.

(b) If a Management Stockholder's employment with the Company terminates for any reason (including, without limitation, due to termination by the Company with or without cause or resignation by such Management Stockholder with or without good reason), and if the Initial Founders or the Company, or any of them, give notice to each other and to such Management Stockholder (the "Terminated Employee Stockholder") invoking this Section 3.3(b) within six months after the date of termination of such employment (the "Repurchase Notice"), then (i) if, within 10 days after the date of the Repurchase Notice, the Administrator of the Stock Purchase Plan determines (and gives the Initial Founders and the Terminated Employee Stockholder notice of such determination) to purchase a specified number of shares of such Terminated Employee Stockholder's Founders' Stock for the purpose of reserving such shares for issuance upon the exercise of stock options to be granted to a qualified replacement for such Terminated Employee Stockholder, as may be reasonably deemed necessary to attract such a replacement, then (A) the Company shall have the right to purchase the number of shares of Founders' Stock so specified at the Fair Market Value thereof as of the date of termination; provided, however, that (B) no shares so purchased by the Company shall be issued, sold or otherwise transferred except pursuant to the exercise of such stock options by such a replacement, without the prior approval of the Board pursuant to Section 2.6(q); (ii) the Initial Founders (or any of them) shall have the right to purchase all or part of the Terminated Employee Stockholder's remaining Founders' Stock at the Fair Market Value thereof as of the date of termination by giving the Company and the Terminated Employee Stockholder notice of their intent to exercise their rights under this Section 3.3(b) within 20 days after the date of the Repurchase Notice; and (iii) to the extent the Initial Founders do not exercise such repurchase right with respect to all of the Terminated Employee Stockholder's remaining Founders' Stock the Company shall have the right, subject to Section 3.3(c), to purchase all or part of the remaining Founders' Stock of the Terminated Employee Stockholder at the Fair Market Value thereof as of the date of termination by giving the Terminated Management Stockholder notice of

the Company's intent to exercise its rights under this Section 3.3(c) within 30 days after the date of the Repurchase Notice. This Section 3.3(b) is subject to the provisions of Section 3.8.

(c) If notice is given under this Section 3.3 invoking the purchase provisions of subsection (a), subsection (b) or subsection (c) hereof, all of the parties to such purchase transaction shall use their respective reasonable efforts and act in good faith to consummate such purchase transaction as soon as is practicable, but in no event more than 45 days after such notice. In connection with any purchase pursuant to this Section 3.3, the personal representative, heir, or Terminated Employee Stockholder (as the case may be) shall enter into a purchase agreement with, and in form and substance reasonably acceptable to, the Initial Founders and/or the Company (as the case may be).

3.4 Lock-Up Agreement. Each Stockholder agrees, in the event of an underwritten Public Offering, to the extent deemed by the managing underwriter to be necessary or appropriate in connection with such Public Offering: (a) not to effect any public sale or distribution of any Common Stock or of any Security convertible into or exercisable for Common Stock (in each case, other than as part of such Public Offering) during such period (not to exceed 180 days) as the managing underwriter and the Company shall agree upon and (b) to enter into a lock-up agreement to this effect and for such period in customary form.

3.5 Compliance with Securities Laws. Notwithstanding any other provision of this Agreement, no Stockholder shall Transfer any Security unless such Transfer is, in the opinion of the Company's legal counsel given prior to such Transfer, in compliance with all applicable federal, state and foreign securities laws.

3.6 Legends. In addition to any other legend that may be required by applicable law or deemed appropriate by the Company's legal counsel, each certificate for Securities issued to a Stockholder shall bear a legend in substantially the following form:

> THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH. THIS SECURITY IS ALSO SUBJECT TO RESTRICTIONS ON TRANSFER SET FORTH IN THE STOCKHOLDERS AGREEMENT DATED APRIL 1, 1999, AND MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE THEREWITH.

3.7 Drag-Along Rights.

(a) Beginning four years after the date hereof, if the Board approves a Strategic Transaction, then, subject to subsection (c) below, each Stockholder shall sell all (or such lesser amount as may be required pursuant to such Strategic Transaction) Securities held by him, her or it pursuant to such Strategic Transaction, and in accordance with the terms and provisions, and in the manner, approved by the Board for such Strategic Transaction (the "Drag-Along Sale"). All sellers of Securities in such Drag-Along Sale shall (i) receive the same consideration per share of Common Stock (without regard to class) and of each class of any other Securities, shall be subject to the same terms and conditions of sale and shall otherwise be treated

equally or, where appropriate, pro rata based upon the number of shares of Securities held by each Stockholder; (ii) receive consideration (A) at least 50% of which shall consist of cash and/or marketable securities listed for trading on the New York Stock Exchange, the American Stock Exchange, or the National Market System of the Nasdaq Stock Market and (B) equal to or exceeding the Fair Market Value of the Securities being sold in such Strategic Transaction; and (iii) execute such reasonable and customary documents and take such actions as may be reasonably required by the Board for the purposes of consummating such Strategic Transaction in accordance with this Section 3.7.

(b) Subject to the provisions of Subsection (a) above, any such sale by any Stockholder shall be on the same terms and conditions as the proposed Drag-Along Sale by each other Stockholder; provided, however, that all selling Stockholders shall share pro rata, based upon the number of shares of Common Stock (without regard to class), the number of shares of each class of Security (other than Common Stock) or the principal amount of the Subordinated Notes, as the case may be, being sold by each, (i) in any reasonable or customary indemnity liabilities to the purchaser in the Drag-Along Sale (other than representations as to encumbered ownership of and ability to transfer the shares being sold by any other seller in the Drag-Along Sale, any other matter relating solely to another seller, which shall be the sole responsibility of such other seller, or any representations relating to the Company or its Subsidiaries, their financial condition, assets or results of operations) and (ii) in any reasonable or customary escrow (not to exceed 20% of the purchase price in the Drag-Along Sale) for the purpose of satisfying any such indemnity liabilities; provided further, however, that each Stockholder's sharing obligation hereunder with respect to such indemnity or other liabilities shall be limited to the lesser of(A) the Securities being sold by such Stockholder and the proceeds thereof, including (without limitation) the cash and non-cash consideration received by such Stockholder with respect to such Securities and (B) a pro rata portion of such indemnity or other liability based upon the amount of proceeds received by such Stockholder in the Drag-Along Sale. In no circumstance whatsoever hereunder or under any provision of any agreement relating to the Strategic Transaction or otherwise shall any recourse be had to such Stockholder, whether by levy or execution, or under any law, or by the enforcement of any assessment or penalty or otherwise, it being understood that the sole recourse for enforcing such Stockholder's obligation shall be to such Securities being sold thereby and the proceeds thereof.

(c) The Company shall provide each Stockholder with written notice (the "Sale Notice") not more than 60 nor less than 30 days prior to the date of the consummation of the Drag-Along Sale (the "Drag-Along Sale Date"). Each Sale Notice shall set forth: (i) the name and the address of each proposed transferee or purchaser of Securities in the Drag-Along Sale; (ii) the proposed amount and form of consideration to be paid for such Securities and the terms and conditions of payment offered by each proposed transferee or purchaser, (iii) confirmation that the proposed purchaser or transferee has been informed of the "Drag-Along Rights" provided for herein and has agreed to purchase Securities in accordance with the terms hereof; and (iv) the Drag-Along Sale Date.

(d) Notwithstanding the provisions of this Section 3.7, no Bank Stockholder shall be required to participate in a Drag-Along Sale if the form of consideration to be received by such Bank Stockholder in such Drag-Along Sale would cause a Regulatory Problem, provided

that such Bank Stockholder gives the Company written notice setting forth the legal and factual basis for such Regulatory Problem no later than 15 days after the date of the Sale Notice.

3.8 Other Agreements. Notwithstanding anything to the contrary contained in this Article 3, if an employment, employee stock option, employee stock purchase, restricted stock or other agreement between the Company and a Stockholder that is an employee of the Company, or any related plan, contains provisions for the Transfer of any Securities by such employee Stockholder (including, without limitation, for the sale to the Company by that Stockholder (including, without limitation, any put right) or the repurchase by the Company from that Stockholder (including, without limitation, any call right) of such Securities), then such provisions shall, with respect to such Securities, and to the extent inconsistent with this Article 3, apply in lieu of, and prevail over, the provisions of this Article 3.

3.9 Regulatory Problem.

(a) Notwithstanding any other provision of this Agreement to the contrary, in the event a Bank Stockholder or any of its Affiliates shall reasonably determine that if such Bank Stockholder or such Affiliate, shall continue to hold some or all of the shares of Common Stock or any other securities of the Company held by it, there is a material risk that such ownership will result in a Regulatory Problem or the cost of complying with regulatory requirements applicable to such Bank Stockholder or such Affiliate would materially increase, then such Bank Stockholder may (i) subject to Section 3.9(b), sell or otherwise dispose of such securities (the "Offered Securities") in a prompt and orderly manner or (ii) request that the Company, and upon receipt of any such request the Company agrees to exchange all or any portion of the Offered Securities on a share-for-share basis for shares of a non-voting Security of the Company (such non-voting security to be identical in all respects to the Offered Securities, except that they shall be non-voting and shall be convertible or exercisable into voting securities with terms identical to the Offered Securities on such conditions as are reasonably requested by such Bank Stockholder in light of the regulatory considerations then prevailing).

(b) The Bank Stockholders, and each of them, hereby grant to the Company the right to purchase all of the Offered Securities in any disposition pursuant to Section 3.9(a) (an "Eligible Offering") in the manner and pursuant to the following procedures:

(i) Each Bank Stockholder shall, before disposing of any Offered Securities pursuant to an Eligible Offering, give written notice thereof to the Company specifying the type and amount of the Offered Securities, the factual and legal basis for the Regulatory Problem, and the aggregate cash proceeds that such Bank Stockholder desires to obtain therefrom. The Company shall within 10 business days thereafter be entitled to offer to purchase all of the Offered Securities at such price per share and pursuant to such other terms and conditions as specified in a written notice from the Company to the Bank Stockholder (the "Company Offer"). The Bank Stockholder shall have 10 business days following receipt of the Company Offer to elect to accept the Company Offer in a written notice to the Company. If the Bank Stockholder accepts Company Offer, the Bank Stockholder shall sell to the Company and the Company shall purchase from the Bank Stockholder, for the price and on such other terms set forth in the Company Offer, all of the Offered Securities. The Company and the Bank Stockholder

shall use their respective reasonable efforts and act in good faith to consummate such purchase transaction as soon as practicable, but in no event more than 30 days after the date of the Company Offer, pursuant to a purchase agreement in form and substance reasonably acceptable to the Company and the Bank Stockholder.

(ii) If the Bank Stockholder rejects the Company Offer, then the Bank Stockholder shall have 90 business days from the date of the written rejection of the Company Offer within which to sell all of the Offered Securities to a third party or parties (the "Third Party"), at a purchase price not less than 100% of the purchase price proposed in the Company Offer. The Bank Stockholders agree that as a condition to purchasing such Offered Securities, the Third Party shall be required to execute a signature page to this Agreement and agree to be bound by the terms and provisions of this Agreement in a form mutually acceptable to the Company and the Bank Stockholder. If the Offered Securities are not sold by the Bank Stockholder during such 90 business-day period, the right of the Bank Stockholder to sell such Offered Securities to the Third Party shall expire and such Offered Securities shall again be subject to the restrictions contained in this Section 3.9 and shall not thereafter be sold, exchanged or otherwise disposed of except in compliance with the provisions of this Agreement.

(c) In connection with a sale to a Third Party pursuant to this Section 3.9 and subject to Section 3.9(b), if requested by a Bank Stockholder, the Company shall cooperate with such Bank Stockholder in effecting the transfer of such Offered Securities to a Third Party. Without limiting the foregoing, at the request of such Bank Stockholder, the Company shall provide (and authorize such Bank Stockholder to provide) financial and other information concerning the Company to any prospective purchaser of such Offered Securities owned by such Bank Stockholder. The Company shall not be required to provide any such information unless the recipient thereof signs a confidentiality agreement reasonably satisfactory to the Company.

(d) The Company hereby covenants and agrees with each Bank Stockholder that prior to exchanging any voting security of the Company held by a Bank Stockholder for any non-voting security of the Company or if the Company proposes to take any other action or enter into any other transaction that would increase the percentage of voting securities owned or controlled by any Bank Stockholder, it shall deliver to each Bank Stockholder a notice 10 business days prior to executing such exchange or taking such other action or consummating such other transaction describing in sufficient detail the terms and conditions of such exchange or other action or transaction so that each Bank Stockholder can determine whether such exchange or other action or transaction may result in a Regulatory Problem.

3.10 Tag Along Rights.

(a) If the Evercore Stockholders seek to sell their Securities to a Person or Persons that is not a Permitted Transferee of the Evercore Stockholders (or shall have entered into a bona fide written agreement with such Person or Persons) (each, an "Evercore Transferee") in which any other Stockholder is not participating on a pro rata basis, then the Evercore Stockholders shall send written notice to each other Stockholder (each, a

"Rightholder") which shall state (i) the amount of Securities proposed to be sold or otherwise transferred to the Evercore Transferees (the "Evercore Offered Securities"), (ii) the proposed purchase price to be paid by the Evercore Transferees, (iii) the name of the Evercore Transferees, (iv) the projected closing date of the sale or transfer of the Evercore Offered Securities, which in no event shall be prior to thirty (30) days after the giving of such written notice to each Rightholder and (v) that the Evercore Stockholders shall sell or otherwise transfer the Evercore Offered Securities subject to the rights of each Rightholder contained in this Section 3.10.

(b) For a period of thirty (30) days after the giving of the notice pursuant to Section 3.10(a) above, each Rightholder shall have the right to sell to the Evercore Transferees on the same terms and conditions and for the same consideration that amount of Securities held by such Rightholder (the "Eligible Securities") equal to that percentage of the Evercore Offered Securities determined by dividing (i) the total number of shares of Common Stock then owned by such Rightholder by (ii) the total number of shares of Common Stock owned by all Stockholders participating in the sale to the Evercore Transferees (including the shares of Common Stock owned by the Evercore Stockholders, such Rightholder and all other Rightholders). To the extent that such Rightholder exercises his, her or its right to sell shares pursuant to this Section 3.10, the amount of the Evercore Offered Securities to be sold to the Evercore Transferees by the Evercore Stockholders, shall be reduced proportionately.

(c) The rights of each Rightholder under this Section 3.10 shall be exercisable by delivering written notice thereof, prior to the expiration of the 30-day period referred to Section 3.10(b), to the Evercore Stockholders, with a copy to the Company. The failure of such Rightholder to respond within such period to the Evercore Stockholders shall be deemed to be a waiver of his, her or its rights under this Section 3.10.

3.11 Incidental Registration Rights.

(a) Right to Include Registrable Securities. If the Company at any
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time after a Public Offering of shares of Common Stock proposes to register its Common Stock under the Securities Act (other than a registration on Form S-4 or S-8, or any successor or other forms promulgated for similar purposes), in a secondary offering of shares of Common Stock held by Stockholders (and not for sale for the Company's own account) or at any time that the Company effects a combination of a primary offering by the Company and a secondary offering of shares of Common Stock held by Stockholders, in either case, pursuant to a registration statement on which it is permissible to register Registrable Securities (as defined below) for sale to the public under the Securities Act, it will each such time give prompt written notice to all Stockholders of its intention to do so and of the Stockholders' rights under this Section 3.11. Upon the written request of any such Stockholder made within 15 days after the receipt of any such notice (which request shall specify the Registrable Securities intended to be disposed of by such Stockholder), the Company will use its reasonable best efforts to effect the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by such Stockholder; provided that (i) if, at any time after giving written notice of its intention to register any Securities and prior to the effective date of the registration statement filed in connection with such registration, the Company (or any Stockholder on whose behalf the registration statement is being filed) shall determine for any reason not to proceed with the proposed registration of the

Securities to be sold by it, the Company may, at its election, give written notice of such determination to each holder of Registrable Securities and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses (as defined below) in connection therewith), and (ii) if such registration involves an underwritten offering, all holders of Registrable Securities requesting to be included in the registration must sell their Registrable Securities to the underwriters selected by the Company on the same terms and conditions as apply to the other sellers included in such registration, with such differences, including any with respect to indemnification and liability insurance, as may be customary or appropriate in secondary offerings. If a registration requested pursuant to this Section 3.11(a) involves an underwritten public offering, any holder of Registrable Securities requesting to be included in such registration may elect, in writing prior to the effective date of the registration statement filed in connection with such registration, not to register such securities in connection with such registration.

(b) Expenses. The Company will pay all Registration Expenses in connection with each registration of Registrable Securities requested pursuant to this Section 3.11. For purposes hereof, "Registration Expenses" shall mean any and all expenses incident to performance of or compliance with this Section 3.11, including, without limitation, (i) all SEC and stock exchange or National Association of Securities Dealers, Inc. registration and filing fees, (ii) all fees and expenses of complying with securities or blue sky laws (including fees and disbursements of counsel for the underwriters in connection with blue sky qualifications of the Registrable Securities), (iii) all printing, messenger and delivery expenses, (iv) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange, (v) the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits and/or "cold comfort" letters required by or incident to such performance and compliance, (vi) the reasonable fees and disbursements of one counsel selected by the holders of a majority of the Registrable Securities being registered to represent all holders of the Registrable Securities being registered in connection with each such registration, and (vii) any fees and disbursements of underwriters customarily paid by the issuers or sellers of securities, including liability insurance if the Company so desires or if the underwriters so require, and the reasonable fees and expenses of any special experts retained by the Company in connection with the requested registration, but excluding underwriting discounts and commissions, fees and expenses of counsel for the underwriters (except as otherwise set forth in clause (ii) above) and transfer taxes, if any.

(c) Priority in Incidental Registrations. If a registration pursuant to this Section 3.11 involves an underwritten offering and the managing underwriter advises the Company in writing that, in its opinion, the number of securities requested to be included in such registration exceeds the number which can be sold in such offering, so as to be likely to have an adverse effect on the successful marketing of such offering (including the price at which such securities can be sold), then the Company will include in such registration, to the extent of the number of Registrable Securities (and shares of Common Stock held by other Persons with similar registration rights) requested to be included in such registration which, in the opinion of such managing underwriter, can be sold without having the adverse effect referred to above, the number of Registrable Securities (and such shares of Common Stock) which the Stockholders (and such other Persons) have requested to be included in such registration, such amount to be

allocated pro rata among all requesting Stockholders (and such other Persons) on the basis of the relative number of shares of Registrable Securities then held by each such Stockholder (or shares of Common Stock then held by such other Person) (provided that any shares thereby allocated to any such Stockholder (or such other Person) that exceed such Stockholder's (or such other Person's) request will be reallocated among the remaining requesting Stockholders (and such other Persons) in like manner; provided, however that nothing contained in this Section 3.11(c) shall cause a reduction in the number of shares of Common Stock that the Company is seeking to sell pursuant to a registration statement for a primary offering of shares of Common Stock).

(d) Registrable Securities. For purposes hereof, "Registrable Securities" shall mean any Common Stock or other securities which may be issued or distributed in respect thereof by way of stock dividend or stock split or other distribution, recapitalization or reclassification. As to any particular Registrable Securities, once issued such Securities shall cease to be Registrable Securities when (i) a registration statement with respect to the sale of such Securities shall have become effective under the Securities Act, (ii) they shall have been distributed to the public pursuant to Rule 144 (or any successor provision) under the Securities Act, (iii) they shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of them shall not require registration or qualification of them under the Securities Act or any state securities or blue sky law then in force or (iv) they shall have ceased to be outstanding.

(e) Cooperation. The Company may require each seller of Registrable Securities as to which any registration is being effected to furnish the Company with such information regarding such seller and pertinent to the disclosure requirements relating to the registration and the distribution of such securities as the Company may from time to time reasonably request in writing.

(f) Survival. This Section 3.11 shall survive for a period of two (2) years following the termination of this Agreement under Section 5.2.

ARTICLE 4
ADDITIONAL AGREEMENTS

4.1 Competing Investments. Unless approved in advance pursuant to Section 2.6(p) and by the Stockholders' Representative, no Evercore Stockholder and no Affiliate of any Evercore Stockholder shall make any direct or indirect equity investment in any business or Person anywhere engaged principally (a) in the business of providing contract staffing services (including, without limitation, in the areas of finance, accounting or information systems) or (b) in any other business engaged in by the Company or by RCLLC on or prior to the date hereof. Notwithstanding the foregoing, nothing contained herein shall limit the right of the Evercore Stockholders and their Affiliates to Beneficially Own as a passive investment the securities of any Person that are publicly traded on a national securities exchange or a generally recognized over-the-counter market; provided, however, that the Evercore Stockholders and their Affiliates shall not Beneficially Own, in the aggregate, more than 10% of the outstanding voting securities of any such Person.

4.2 Stockholders' Representative.

(a) The Management Stockholders hereby appoint, and shall be represented by, a representative (the "Stockholders' Representative") with respect to all matters arising under or related to this Agreement.

(b) The initial Stockholders' Representative shall be Donald B. Murray. If Donald B. Murray is no longer able or willing to act as the Stockholders' Representative, or if he ceases to be an employee of the Company, then the Management Stockholders shall appoint a replacement Stockholders' Representative from among the Initial Founders, by majority vote of their shares of Common Stock (without regard to class); provided, however, that if there are no remaining Initial Founders able and willing to act as the Stockholders' Representative, then such replacement shall be a Management Stockholder approved by Management Stockholders representing a majority of the Management Stockholders' shares of Common Stock (without regard to class).

4.3 Appointment of Proxy. Each Management Stockholder hereby irrevocably appoints the Stockholders' Representative, with full power of substitution, as his, her, or its attorney and proxy to attend meetings, vote, give consents and in all other ways act in his, her or its place with respect to all of his, her or its Securities, in the Stockholders' Representative's discretion.

4.4 Acknowledgement and Release.

(a) Each Stockholder hereby (i) acknowledges and agrees that the Stockholders' Representative is authorized and entitled to act in his or her discretion with respect to all matters arising under or related to this Agreement and (ii) releases the Stockholders' Representative from any and all liability arising from or related to the Stockholders' Representative's exercise of his or her authority, discretion and functions under this Agreement.

(b) Each Stockholder hereby acknowledges the provisions of Section 1542 of the California Civil Code, which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Each Stockholder hereby waives and relinquishes any rights or benefits that he, she or it may have under Section 1542 of the California Civil Code in connection with the release contained in this Section 4.4, as well as under any Other California or any Federal or state statute or common law principle of similar effect.

4.5 Spouse's Consents. Each Stockholder who has a spouse as of the date hereof or hereafter shall deliver to the Company a Spouse's Consent in substantially the form attached hereto as Exhibit 4.5, duly executed by the Stockholder's spouse.

4.6 Testamentary Provisions. Each Stockholder who is a natural person agrees that he or she will insert in his or her will and other estate planning documents a direction and authorization to his or her personal representative or heirs (as the case may be) to fulfill and comply with the provisions of this Agreement; provided, however, that in no event shall the absence of such a direction or authorization be deemed to constitute or imply a contrary direction or authorization. The personal representative or heirs (as the case may be) of each Stockholder who is a natural person shall execute and deliver any and all documents and instruments as may be necessary or desirable to give effect to and carry out the provisions of this Agreement regardless of the absence or presence of such a direction or authorization.

4.7 Step 2 Management Stockholders. Each Step 2 Management Stockholder that acquires Common Stock and a Subordinated Note as contemplated by Recital B shall enter into this Agreement by executing a signature page in substantially the form attached as Exhibit 4.7, whereupon such Step 2 Management Stockholder shall be deemed a "Management Stockholder" under, and bound by the provisions of, this Agreement. Promptly thereafter, Schedule II shall be revised to reflect the amount of Common Stock and the principal amount of the Subordinated Note so acquired by such Step 2 Management Stockholder. If the Evercore Stockholders (or any of them) acquire additional Common Stock or Subordinated Notes as contemplated by Recital B, then Schedule I shall be revised accordingly promptly thereafter.

4.8 Conversion of Certain Shares.

(a) For each share of Class A Common Stock (i) that the Company issues after the date hereof to any Person or (ii) that an Evercore Stockholder transfers to any Person in accordance with the provisions of this Agreement after the date hereof, in each case other than an Evercore Stockholder or a Permitted Transferee of an Evercore Stockholder, one share of Class B Common Stock held by Evercore I (or, if there are no shares of Class B Common Stock then held by Evercore I, then by Evercore II; and if there are further no shares of Class B Common Stock then held by Evercore II, then by Evercore III; and if there are further no shares of Class B Common Stock then held by Evercore III, then by Evercore IV) shall automatically and simultaneously, without any action on the part of the Board, the Company or any other Person, be converted into one share of Class A Common Stock.

(b) Upon the termination of this Agreement, each share of Class B Common Stock and Class C Common Stock held by any Stockholder shall automatically and simultaneously, without any action on the part of the Board, the Company or any other Person, be converted into one share of Class A Common Stock.

(c) Each share of Class B Common Stock that is transferred to any Person by an Evercore Stockholder in accordance with this Agreement shall automatically and simultaneously, without any action on the part of the Board, the Company or any other Person, be converted into one share of Class A Common Stock.

ARTICLE 5
TERM AND TERMINATION

5.1 Term of Agreement. The term of this Agreement shall begin on the date hereof and continue until terminated in accordance with Section 5.2.

5.2 Termination. This Agreement shall terminate upon the first to occur of the following:

(a) the execution by the Company, the Evercore Stockholders, the Bank Stockholders, the Rosenfeld Group Stockholders and the Stockholders' Representative of a written agreement approved in advance pursuant to Section 2.6(n), to terminate this Agreement;

(b) the date on which the Evercore Stockholders and their respective Affiliates Beneficially Own, in the aggregate, less than 50% of the shares of Common Stock Beneficially Owned by the Evercore Stockholders in the aggregate on the date hereof;

(c) the closing of a Qualified Public Offering;

(d) the consummation of a Strategic Transaction; or

(e) the effective dissolution of the Company in accordance with the Delaware General Corporation Law.

ARTICLE 6
DISPUTE RESOLUTION

6.1 Procedures. Any controversy, claim or dispute arising out of or relating to this Agreement, or the breach hereof (a "Dispute"), shall be settled in accordance with the procedures set forth in this Article 6.

6.2 Dispute Notice. If any Dispute arises among any parties hereto (the "Disputing Parties"), any Disputing Party may give written notice thereof to the other Disputing Party (the "Dispute Notice"). The Dispute Notice shall contain a brief statement setting forth the nature of the Dispute.

6.3 Negotiation. Promptly after the Dispute Notice, the Disputing Parties shall commence good faith negotiations with the goal of promptly reaching a just and equitable resolution of the Dispute.

6.4 Arbitration.

(a) If the Dispute has not been resolved within 15 business days after the Dispute Notice, then any Disputing Party may initiate arbitration in accordance with the AAA Commercial Arbitration Rules (the "Arbitration Rules"), in which case the Dispute shall be settled by arbitration administered by the AAA under the Arbitration Rules, including the AAA Optional Rules for Emergency Measures of Protection (the "Emergency Rules"), and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

(b) The arbitrator(s) shall be appointed in accordance with the Arbitration Rules. Unless otherwise determined in accordance with the Arbitration Rules, there shall be one arbitrator. The locale where the arbitration is to be held, and the date, time and place for each arbitration hearing, shall be determined in accordance with the Arbitration Rules.

(c) Expenses of arbitration shall be borne in accordance with the Arbitration Rules; provided, however, that to the extent a party is non-prevailing or unsuccessful on a claim in an arbitration proceeding under this Section 6.4, as determined by the arbitrator(s), that party shall pay the prevailing or successful party's costs and expenses incurred in connection with the arbitration of that claim, including (without limitation) attorneys' fees and arbitration expenses, whether or not such claim is prosecuted to award or judgment.

6.5 Emergency Relief. If a Disputing Party is in need of emergency relief at any time after the Dispute Notice but prior to the constitution of an arbitration panel under Section 6.4, then that Disputing Party may seek such relief in accordance with, and by notifying the AAA under, the Emergency Rules; provided, however, that the resolution of the Dispute nevertheless shall continue in accordance with the procedures set forth in this Article 6.

ARTICLE 7
MISCELLANEOUS

7.1 Notices. All notices and other communications to a party under this Agreement shall be in writing and shall be deemed given if personally delivered, sent by fax (with confirmation), sent by a nationally-recognized overnight delivery service (with confirmation) or mailed by certified mail (return receipt requested), in each case to that party's address and fax number set forth below (or to such other address and fax number as that party may designate by notice to the other parties):

Party	Address and Fax Number	With a Copy to:
Company	RC Transaction Corp. c/o Re:sources Connection LLC Three Imperial Promenade Santa Ana, CA 92707-5092 Fax: 714-433-6100 Attention: Chief Executive Officer	O'Melveny & Myers LLP 610 Newport Center Drive, 17th Floor Newport Beach, CA 92660-6429 Fax: 949-823-6994 Attention: David A. Krinsky
Evercore Stockholders	Evercore Capital Partners L.P. 65 East 55th Street, 22rd Floor New York, NY 10022 Fax: 212-857-3101 Attention: David G. Offensend	Simpson Thacher & Bartlett 425 Lexington Avenue New York, NY 10017-3954 Fax: 212-455-2502 Attention: Mario A. Ponce

Management Stockholders	RC Transaction Corp. c/o Resources Connection LLC Three Imperial Promenade Santa Ana, CA 92707-5092 Fax: 714-433-6100 Stockholders' Representative Donald B. Murray	O'Melveny & Myers LLP 610 Newport Center Drive, 17th Floor Newport Beach, CA 92660-6429 Fax: 949-823-6994 Attention: David A. Krinsky
Outside Stockholders	To the address set forth opposite each Outside Stockholder's respective name on Schedule III.	

7.2 Amendment. This Agreement may not be amended except in writing, approved in advance pursuant to Section 2.6(n), and signed by (a) the Company, (b) the Evercore Stockholders, (c) the Stockholders' Representative and (d) Outside Stockholders representing a majority of the Outside Stockholders' shares of Common Stock; provided, however, that if any such amendment would have an adverse effect on an Outside Stockholder, then such amendment shall further be subject to the prior written consent of that Outside Stockholder.

7.3 Waiver. No waiver shall be deemed effective under this Agreement unless in writing signed by the party against whom the waiver is to be effective. No failure or delay by any party hereto in exercising any right, power or privilege hereunder, and no course of dealing among or between any of the parties hereto, shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

7.4 Successors and Assigns. Except as otherwise provided in this Agreement, this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

7.5 Governing Law. This Agreement shall be governed by and construed in accordance with Delaware law, without regard to choice of law and conflicts of law rules.

7.6 Severability. If any provision of this Agreement is held by an arbitrator or court of competent jurisdiction to be illegal, invalid or unenforceable in any jurisdiction, the remainder of this Agreement shall remain in full force and effect, and such holding shall not affect this Agreement or any provision hereof in any other jurisdiction. If any provision of this Agreement is so held to be illegal, invalid or unenforceable only in part or degree, that provision shall remain in full force and effect to the extent not held illegal, invalid or unenforceable.

7.7 Headings. The headings contained in this Agreement are for convenience only and shall not affect the meaning or interpretation of this Agreement.

7.8 Exhibits and Schedules. The exhibits and schedules referred to in this Agreement hereby are incorporated herein and made part of this Agreement.

7.9 Entire Agreement. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, among the parties with respect to the subject matter hereof.

7.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties have executed this Stockholders Agreement as of the date first above written.

THE COMPANY:

RC TRANSACTION CORP.

By: /s/ Donald Murray

Name: Donald Murray
Title: President

EVERCORE STOCKHOLDERS:

EVERCORE CAPITAL PARTNERS LP.
By: Evercore Partners L.L.C., its General Partner

By:_____
Name:
Title:

EVERCORE CAPITAL PARTNERS (NQ) L.P.
By: Evercore Partners L.L.C., its General Partner

By:_____
Name:
Title:

EVERCORE CAPITAL OFFSHORE PARTNERS L.P.
By: Evercore Partners L.L.C., its General Partner

By:_____
Name:
Title:

IN WITNESS WHEREOF, the parties have executed this Stockholders Agreement as of the date first above written.

THE COMPANY:

RC TRANSACTION CORP.

By:

Name:
Title:

EVERCORE STOCKHOLDERS:

EVERCORE CAPITAL PARTNERS L.P.
By: Evercore Partners L.L.C., its General Partner

By: /s/ David G. Offensend

Name:
Title:

EVERCORE CAPITAL PARTNERS (NQ) L.P.
By: Evercore Partners L.L.C., its General Partner

By: /s/ David G. Offensend

Name:
Title:

EVERCORE CAPITAL OFFSHORE PARTNERS L.P.
By: Evercore Partners L.L.C., its General Partner

By: /s/ David G. Offensend

Name:
Title:

EVERCORE CO-INVESTMENT
PARTNERSHIP L.P.
By: Evercore Partners L.L.C., its
General Partner

By: /s/ David G. Offensend

Name:
Title:

STEP 1 MANAGEMENT STOCKHOLDERS:

_____
Donald B. Murray

_____
Stephen J. Giusto

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EVERCORE CO-INVESTMENT
PARTNERSHIP LP.
By: Evercore Partners L.L.C., its
General Partner

By:_____
Name:
Title:

STEP 1 MANAGEMENT STOCKHOLDERS:

/s/ Donald B. Murray

Donald B. Murray

/s/ Stephen J. Giusto

Stephen J. Giusto

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OUTSIDE STOCKHOLDERS:

/s/ Richard Gerston

Richard Gerston

_____
Paul Lattanzio

_____
Gerald Rosenfeld

MAINZ A.G., a German entity

By: _____
Name: _____
Title: _____

[Remainder of Page Intentionally left Blank]

OUTSIDE STOCKHOLDERS:

_____
Richard Gerston

/s/ Paul Lattanzio

Paul Lattanzio

_____
Gerald Rosenfeld

MAINZ A.G., a German entity

By: _____
Name: _____
Title: _____

[Remainder of Page Intentionally left Blank]

OUTSIDE STOCKHOLDERS:

_____
Richard Gerston

_____
Paul Lattanzio

/s/ Gerald Rosenfeld

Gerald Rosenfeld

MAINZ A.G., a German entity

By: _____
Name: _____
Title: _____

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OUTSIDE STOCKHOLDERS:

_____
Richard Gerston

_____
Paul Lattanzio

_____
Gerald Rosenfeld

MAINZ Holdings Ltd

By: /s/ Alain Andrey

Name: Alain Andrey

Title: Attorney in fact

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BT CAPITAL INVESTORS, L.P.,
a Delaware limited partnership

By: /s/ Joseph R. Wood

Name: Joseph R. Wood

Title: MD

BANCBOSTON INVESTMENTS INC., a
Massachussetts corporation

By: /s/ C. D. Reydel

Name: CHARLES D. REYDEL

Title: Vice President

EXHIBIT 10.1

RESOURCES CONNECTION, INC.
1998 EMPLOYEE STOCK PURCHASE PLAN

1. Definitions.

For the purposes of the Plan, the following capitalized terms have the following meanings:

"Administrator" has the meaning given in Section 3 below.

"Award" means a right to purchase Restricted Stock granted in accordance with the Plan.

"Board" means the Company's board of directors.

"Cause" means, with respect to the termination of a Participant's employment with the Company, that the Company, acting in good faith based upon the information then known to the Company, determines that the Participant has: (i) committed a material breach of his or her duties or responsibilities to the Company (other than as a result of incapacity due to the Participant's disability); (ii) been convicted of a crime involving moral turpitude; (iii) refused to perform his or her required duties and responsibilities or performed them incompetently; (iv) violated any fiduciary duty owed to the Company; or (v) taken actions which are injurious to the Company and which involve moral turpitude or actual malice towards the Company.

"Change in Control" has the meaning given in Section 6 below.

"Common Stock" means the Company's common stock, par value $.01 per share.

"Company" means RC Transaction Corp., a Delaware corporation.

"Eligible Person" has the meaning given in Section 4(b) below.

"Fair Value" means, with respect to shares of Restricted Stock purchased by a Participant under the Plan, a price for such shares of Restricted Stock which is fair to the Company and the Participant, as determined in good faith by the Administrator, with predominant weight given to the following: (i) if such shares are publicly traded on an active market of substantial depth, the recent market price of such shares; (ii) if securities of the same class have not been so publicly traded, the price at which securities of reasonably comparable corporations (if any) in the same industry are being traded, subject to appropriate adjustments for the dissimilarities between the corporations being compared; or (iii) in the absence of any reliable indicator under subsection (i) or (ii) of this definition, the earnings history, book value and prospects of the issuer in the light of market conditions generally.

"Full Vesting Date" means the "Full Vesting Date" of a Participant's Restricted Stock as set forth in that Participant's Restricted Stock Agreement, which shall be the fifth anniversary of

that Participant's employment with the Company or, if that Participant was an employee of Re:sources Connection LLC or its predecessor entity prior to his or her employment with the Company, then the fifth anniversary of that Participant's employment with Re:sources Connection LLC or its predecessor entity.

"Initial Founders" means Donald B. Murray, Stephen J. Giusto, Karen Ferguson and David L. Schnitt, each for so long as he or she remains an employee and stockholder of the Company.

"Participant" means any Eligible Person who receives an Award under the Plan.

"Plan" means this Resources Connection, Inc. 1998 Employee Stock Purchase Plan.

"Purchase Price" means the purchase price to be paid by a Participant for Restricted Stock under an Award, as set forth in that Participant's Restricted Stock Agreement.

"Restricted Period" means, with respect to shares of a Participant's Restricted Stock, a period beginning on the date the Participant purchased such shares of Restricted Stock and ending on the Full Vesting Date.

"Restricted Stock" means Common Stock issued upon the exercise of an Award, that is subject to restrictions in accordance with Section 5 below.

"Restricted Stock Agreement" means a restricted stock agreement in substantially the form attached hereto as Exhibit A-1 (for officers of the Company), Exhibit A-2 (for other management-level employees of the Company) or Exhibit A-3 (for donee employees under Section 5(c)(viii) below)."

"Unvested Restricted Stock" means Restricted Stock that is not Vested Restricted Stock.

"Vested Restricted Stock" has the meaning giving in Section 5(c)(iii) below.

2. Purpose.

The purpose of the Plan is to promote the success of the Company, and the interests of its stockholders, by attracting, motivating, retaining and rewarding certain of the Company's officers and other management-level employees, through the grant of equity compensation to them in the form of Awards.

3. Administration.

The Plan shall be administered by a committee of at least one member of the Company's board of directors (the "Board"), appointed by the Board to administer the Plan (the "Administrator"). The Administrator's decisions regarding, and interpretations of, the Plan shall be final and binding.

4. General Plan Provisions.

(a) Total Number of Shares Issuable under the Plan.. The total number of shares of Restricted Stock which may be issued under the Plan is 563,000 shares (not including shares of Restricted Stock that have been repurchased from a Participant by the Company in accordance with the Plan). Shares of Restricted Stock that are repurchased from a Participant by the Company in accordance with the Plan shall again be available for issuance under the Plan.

(b) Eligible Persons. Any officer or other management-level employee of the Company is eligible to receive Awards under the Plan ("Eligible Persons").

(c) Purchase Price. The Purchase Price under an Award shall be determined by the Administrator; provided, however, that notwithstanding any other provision of the Plan, the Purchase Price for shares of Restricted Stock under an Award shall be: (i) at least 85% of the Fair Value of such shares of Restricted Stock at the time the Award is granted; or (ii) 100% of the Fair Value of such shares of Restricted Stock at the time the Award is granted, in the case of any Participant who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company.

(d) Non-Transferability of Awards. No Award granted under the Plan shall be transferred other than by will or the laws of descent and distribution.

(e) Adjustment. In the event of a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification of the Common Stock, the number of shares purchasable and the Purchase Price under an Award shall be equitably adjusted by the Administrator, to the extent necessary to preserve the benefits or potential benefits intended to be made available to the Participants under the Plan.

(f) Plan Termination Date. The Plan shall terminate 10 years from the date the Plan was adopted or the date the Plan was approved by the Company's stockholders, whichever is earlier.

(g) Board Adoption and Stockholder Approval. The Plan was adopted by the Board and approved by the Company's stockholders on December 11, 1998.

(h) Information. All Participants shall receive a copy of the Plan concurrently with the grant of any Award under the Plan. In addition, all Participants shall receive financial statements of the Company at least annually.

(i) Voting Rights. Shares of Restricted Stock shall have voting rights equal to all other shares of Common Stock on all matters where such vote is permitted by applicable law.

5. Restricted Stock Awards.

(a) Authority to Grant. The Administrator may grant Awards to Eligible Persons from time to time in accordance with the Plan.

(b) Exercise. An Award may be exercised by a Participant, at any time within 30 days of the date the Award is granted, by completing, signing and delivering to the Company a Restricted Stock Agreement along with a good check payable to the Company in the amount of the Purchase Price for the shares of Restricted Stock being purchased under the Award.

(c) Restrictions. Restricted Stock shall be subject to the following restrictions, in addition to any other terms, conditions and restrictions as may be set forth in the Plan or the Restricted Stock Agreement:

(i) Except as otherwise provided in Section 5(c)(ii) below, if the Participant's employment with the Company terminates prior to the Full Vesting Date for any reason, then the Initial Founders shall have the right, but not the obligation (and, to the extent the Initial Founders do not exercise such right, the Company shall have the right, but not the obligation), to repurchase: (A) all or a part of the Participant's Unvested Restricted Stock at a purchase price equal to the Purchase Price; and (B) all or a part of the Participant's Vested Restricted Stock at a purchase price equal to the fair market value thereof on the date of the termination of Participant's employment as determined by the Administrator reasonably and in good faith; provided, however, that the Initial Founders' and the Company's respective repurchase rights under this subsection (B) shall terminate if the Company's securities become publicly traded.

(ii) Notwithstanding Section 5(c)(i) above, if the Participant's employment with the Company terminates prior to the Full Vesting Date as a result of (A) termination by the Company without Cause, (B) the disability of the Participant or (C) the Participant's death; then the Initial Founders shall have the right, but not the obligation (and, to the extent the Initial Founders do not exercise such right, the Company shall have the right, but not the obligation), to repurchase all or a part of the Participant's Restricted Stock at a purchase price equal to the fair market value thereof on the date of the termination of Participant's employment as determined by the Administrator reasonably and in good faith; provided, however, that the Initial Founders' and the Company's respective repurchase rights under this paragraph (ii) shall terminate if the Company's securities become publicly traded.

(iii) A Participant's Restricted Stock shall be deemed vested ("Vested Restricted Stock") at a rate of 20% after each full year following the date of grant of the Award pursuant to which the Participant purchased the Restricted Stock; provided, however, that on the Full Vesting Date, all of such Restricted Stock shall be deemed Vested Restricted Stock.

(iv) The Initial Founders' and the Company's respective rights to repurchase Restricted Stock under this Section 5 shall be exercised, if at all, (A) for cash or cancellation of purchase money indebtedness for the Restricted Stock and (B) within 90 days of termination of the Participant's employment.

(v) During the Restricted Period, the certificates representing the Restricted Stock shall be held by the Company or by a third party designated for that purpose by the Administrator.

(vi) Shares of Restricted Stock, whether vested or unvested, may not be sold, assigned, transferred, pledged or otherwise encumbered (other than pursuant to a repurchase by the Initial Founders or the Company in accordance with the Plan), whether voluntarily or involuntarily, during the Restricted Period. During the Restricted Period, Restricted Stock shall bear a legend in substantially the following form, in addition to any other legends deemed necessary or appropriate by the Administrator during or after the Restricted Period:

> THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS AS SET FORTH IN THE ISSUER'S 1998 EMPLOYEE STOCK PURCHASE PLAN AND IN A RESTRICTED STOCK AGREEMENT DATED DECEMBER __, 1998, AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE TERMS OF SUCH PLAN AND AGREEMENT.

(vii) A Participant holding Restricted Stock shall have cash dividend and voting rights for all shares of Restricted Stock issued to them, but such rights shall terminate immediately if the Participant ceases to be the owner thereof, whether as a result of a repurchase in accordance with the Plan or otherwise; provided, however, that the grant of an Award under the Plan shall not, by itself, confer any voting or other rights of a stockholder of the Company upon a Participant.

(viii) Notwithstanding any other provision of the Plan or any Restricted Stock Agreement, an Initial Founder may, as a gift, give shares of his or her Restricted Stock to an employee of the Company. Such gifted shares shall be subject to the Initial Founders' and the Company's repurchase rights, the restrictions on transfer, and the other terms, conditions and restrictions set forth in the Plan and, except as otherwise set forth herein, the donee employee shall be subject to all of the terms, conditions, restrictions and other provisions of the Plan that are applicable to a Participant. The donee employee shall acknowledge and agree to these terms, conditions and restrictions and enter into a Restricted Stock Agreement in substantially the form attached hereto as Exhibit A-3. Notwithstanding the definition of "Purchase Price" in Section 1 above and notwithstanding Section 4(c) above, the "Purchase Price" for such gifted shares shall be deemed $0.00. Notwithstanding the definition of "Restricted Period" in Section 1 above, the "Restricted Period" for such gifted shares shall be a period beginning on the date of such gift and ending on the Full Vesting Date. Notwithstanding Section 5(c)(iii) above, the donee employee's Restricted Stock shall be deemed Vested Restricted Stock at a rate of 20% after each full year following date of the gift; provided, however, that on the Full Vesting Date, all of such Restricted Stock shall be deemed Vested Restricted Stock.

6. Change in Control.

In order to preserve a Participant's rights under an Award in the event the Administrator determines that there has been a change in control of the Company or an agreement or other event that would result in such a change in control (other than a change in control, agreement or other event with respect to which the Board has given its prior approval) (a "Change in Control"), the Administrator, in its discretion, may, at the time an Award is made or at any time

thereafter, take one or more of the following actions: (a) provide for the acceleration of any time period relating to the exercise of the Award or provide for the acceleration of the Full Vesting Date of Restricted Stock; (b) adjust the terms of the Award or the Restricted Stock in a manner determined by the Administrator to reflect the Change in Control; (c) cause the Award and the Company's other obligations under the Plan or any Restricted Stock Agreement to be assumed, or new rights substituted therefor, by another entity; or (d) make such other provision as the Administrator may consider equitable and in the Company's best interests.

7. Withholding Taxes.

The Participant shall pay to the Company, or make provision satisfactory to the Administrator for payment of, any taxes required by law to be withheld in respect of Awards under the Plan no later than the date of the event creating the tax liability. The Company and its affiliates may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to the Participant.

8. Miscellaneous.

(a) No Right to Employment. No Eligible Person or any other person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant a continued right to employment with the Company.

(b) Amendment of the Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time, subject to any stockholder approval that the Board determines to be necessary or advisable.

(c) Governing Law. The provisions of the Plan and of all Restricted Stock Agreements entered into under the Plan shall be governed by and construed in accordance with California law.

RESOURCES CONNECTION, INC.
1999 LONG-TERM INCENTIVE PLAN

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RESOURCES CONNECTION, INC.
1999 LONG-TERM INCENTIVE PLAN

1. The Plan.

1.1 Purpose. The purpose of this Plan is to promote the success of the Company and the interests of its stockholders by attracting, motivating, retaining and rewarding directors, officers, employees and other eligible persons with awards and incentives for high levels of individual performance and improved financial performance of the Company. Capitalized terms used herein are defined in Section 7.

1.2 Administration and Authorization; Power and Procedure.

1.2.1 Committee. This Plan will be administered by and all Awards will be authorized by the Committee. Action of the Committee with respect to the administration of this Plan will be taken pursuant to a majority vote or by written consent of its members.

1.2.2 Plan Awards; Interpretation; Powers of Committee. Subject to the express provisions of this Plan and any express limitations on the delegated authority of a Committee, the Committee will have the authority to:

(a) determine eligibility and the particular Eligible Persons who will receive Awards;

(b) grant Awards to Eligible Persons, determine the price at which securities will be offered or awarded and the amount of securities to be offered or awarded to any of such persons, and determine the other specific terms and conditions of Awards consistent with the express limits of this Plan, establish the installments (if any) in which such Awards will become exercisable or will vest, or determine that no delayed exercisability or vesting is required, and establish the events of termination or reversion of such Awards;

(c) approve the forms of Award Agreements, which need not be identical either as to type of Award or among Participants;

(d) construe and interpret this Plan and any Award or other agreements defining the rights and obligations of the Company and Participants under this Plan, further define the terms used in this Plan, and prescribe, amend and rescind rules and regulations relating to the administration of this Plan;

(e) cancel, modify, or waive the Corporation's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding Awards held by Eligible Persons, subject to any required consent under Section 6.6;

(f) accelerate or extend the exercisability or extend the term of any or all outstanding Awards within the maximum ten-year term of Awards under Section 1.6; and

(g) make all other determinations and take such other action as contemplated by this Plan or as may be necessary or advisable for the administration of this Plan and the effectuation of its purposes.

1.2.3 Binding Determinations. Any action taken by, or inaction of, the Corporation, any Subsidiary, the Board or the Committee relating or pursuant to this Plan will be within the absolute discretion of that entity or body and will be conclusive and binding upon all persons. Subject only to compliance with the express provisions hereof, the Board and Committee may act in their absolute discretion in matters within their authority related to this Plan.

1.2.4 Reliance on Experts. In making any determination or in taking or not taking any action under this Plan, the Committee or the Board, as the case may be, may obtain and may rely upon the advice of experts, including employees of and professional advisors to the Corporation.

1.2.5 Bifurcation of Plan Administration; Delegation. The Committee may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Company.

1.2.6 No Liability. No director, officer or agent of the Company will be liable for any action, omission or decision under the Plan taken, made or omitted in good faith.

1.3 Participation. Awards may be granted by the Committee only to those persons that the Committee determines to be Eligible Persons. An Eligible Person who has been granted an Award may, if otherwise eligible, be granted additional Awards if the Committee so determines.

1.4 Shares Available for Awards; Share Limits.

1.4.1 Shares Available. Subject to the provisions of Section 6.3, the capital stock that may be delivered under this Plan will be shares of the Corporation's authorized but unissued Common Stock and any shares of its Common Stock held as treasury shares. The shares may be delivered for any lawful consideration.

1.4.2 Share Limits. The maximum number of shares of Common Stock that may be delivered pursuant to Awards granted under this Plan will not exceed 5,040,000 shares (the "Share Limit"). The maximum number of shares subject to those Options and Stock Appreciation Rights that are granted during any calendar year to any one individual will be limited to 200,000 shares and the maximum individual limit on the number of shares in the aggregate subject to all Awards that during any calendar year are granted under this Plan to any one individual will be 200,000 shares. Each of the foregoing numerical limits will be subject to adjustment as contemplated by this Section 1.4 and Section 6.3.

1.4.3 Share Reservation; Replenishment and Reissue of Unvested Awards. No Award may be granted under this Plan unless, on the date of grant, the sum of (i) the maximum number of shares of Common Stock issuable at any time pursuant to such Award, plus (ii) the number of shares of Common Stock that have previously been issued pursuant to Awards granted under this Plan, other than reacquired shares available for reissue consistent with any applicable legal limitations, plus (iii) the maximum number of shares of Common Stock that may be issued at any time after such date of grant pursuant to Awards that are outstanding on such date, does not exceed the Share Limit. Shares of Common Stock that are subject to or underlie Awards that expire or for any reason are canceled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under this Plan, as well as reacquired shares, will again, except to the extent prohibited by law or the terms of this Plan, be available for subsequent Awards under this Plan. Shares of Common Stock issued pursuant to the terms hereof (including shares of Common Stock offset in satisfaction of applicable withholding taxes or the exercise price of an Award) shall reduce on a share-for-share basis the number of shares of Common Stock remaining available under this Plan. Except as limited by law, if an Award is or may be settled only in cash, such Award need not be counted against any of the limits under this Section 1.4.

1.5 Grant of Awards. Subject to the express provisions of this Plan, the Committee will determine the number of shares of Common Stock subject to each Award, the price (if any) to be paid for the shares or the Award and, in the case of performance share awards, in addition to matters addressed in Section 1.2.2, the specific objectives, goals and "business criteria" as such term is used in Section 5.2 that further define the terms of the performance share award. Each Award will be evidenced by an Award Agreement signed by the Corporation and, if required by the Committee, by the Participant.

1.6 Award Period. Any Option, SAR, warrant or similar right shall expire and any other Award shall either vest or be forfeited not more than 10 years after the date of grant; provided, however, that any payment of cash or delivery of stock pursuant to an Award may be delayed until a future date if specifically authorized by the Committee in writing; provided further that each Award will be subject to earlier termination as provided in or pursuant to Sections 6.2 and 6.3 of this Plan.

1.7 Limitations on Exercise and Vesting of Awards.

1.7.1 Provisions for Exercise. Unless the Committee otherwise expressly provides, no Award will be exercisable or will vest until at least six months after the initial Award Date, and once exercisable an Award will remain exercisable until the expiration or earlier termination of the Award.

1.7.2 Procedure. Any exercisable Award will be deemed to be exercised when the Corporation receives written notice of such exercise from the Participant (on a form and in such manner as may be required by the Committee), together with

any required payment made in accordance with Section 2.2.2 and Section 6.5 and any written statement required pursuant to Section 3.4 of this Plan.

1.7.3 Fractional Shares/Minimum Issue. Fractional share interests will be disregarded, but may be accumulated. The Committee, however, may determine in the case of Eligible Persons that cash, other securities, or other property will be paid or transferred in lieu of any fractional share interests.

1.8 No Transferability; Limited Exception to Transfer Restrictions.

1.8.1 Limit On Exercise and Transfer. Unless otherwise expressly provided in (or pursuant to) this Section 1.8, by applicable law and by the Award Agreement, as the same may be amended: (i) all Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; (ii) Awards will be exercised only by the Participant; and (iii) amounts payable or shares issuable pursuant to an Award will be delivered only to (or for the account of) the Participant.

1.8.2 Further Exceptions to Limits On Transfer. The exercise and transfer restrictions in Section 1.8.1 will not apply to:

(a) transfers to the Corporation;

(b) the designation of a beneficiary to receive benefits if the Participant dies or, if the Participant has died, transfers to or exercises by the Participant's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution;

(c) if the Participant has suffered a disability, permitted transfers or exercises on behalf of the Participant by the Participant's legal representative; or

(d) the authorization by the Committee of "cashless exercise" procedures with third parties who provide financing for the purpose of (or who otherwise facilitate) the exercise of Awards consistent with applicable laws and the express authorization of the Committee.

2. Options.

2.1 Grants. One or more Options may be granted under this Plan to any Eligible Person. Each Option granted will be designated in the applicable Award Agreement, by the Committee, as either an Incentive Stock Option, subject to Section 2.4, or a Nonqualified Stock Option.

2.2 Option Price.

2.2.1 Pricing Limits. The purchase price per share of the Common Stock covered by each Option will be determined by the Committee at the time of grant of the Award (and in no case will such purchase price be less than the par value of the

Common Stock), but in the case of Incentive Stock Options the exercise price shall not be less than 100% and, in the case of an Option granted to a Participant described in Section 2.5, not less than 110% of the Fair Market Value of the Common Stock on the date of grant.

2.2.2 Payment Provisions. The purchase price of any shares of Common Stock purchased on exercise of an Option granted under this Plan will be paid in full at the time of each purchase in one or a combination of the following methods:

(a) in cash or by electronic funds transfer;

(b) by certified or cashier's check payable to the order of the Corporation;

(c) by notice and third party payment in such manner as may be authorized by the Committee; or

(d) subject to the proviso below, by the delivery of shares of Common Stock already owned by the Participant, provided the Committee may in its absolute discretion limit the Participant's ability to exercise an Option by delivering previously owned shares, and any shares of Common Stock delivered that were initially acquired from the Corporation upon exercise of a stock option must have been owned by the Participant at least six (6) months as of the date of delivery.

Shares of Common Stock used to satisfy the exercise price of an Option will be valued at their Fair Market Value on the date of exercise. Without limiting the generality of the foregoing, the Committee may provide that the Option can be exercised and payment made by delivering a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Corporation the amount of sale proceeds necessary to pay the exercise price and, unless otherwise prohibited by the Committee or applicable law, any applicable tax withholding under Section 6.5. The Corporation will not be obligated to deliver certificates for the shares unless and until it receives full payment of the exercise price therefor, and all related withholding obligations under Section 6.5 and other conditions to exercise have been satisfied.

2.3 Vesting; Limits on Exercise; Other Limitations.

2.3.1 Vesting. Unless the Committee or this Plan otherwise expressly provides, no Option will be exercisable or will vest until at least six months after the initial Award Date. Unless otherwise provided by the Committee in the applicable Award Agreement, each Option shall become vested and exercisable as to 25% of the total number of shares subject thereto on or after the first anniversary of the applicable Award Date and thereafter shall become vested and exercisable as to an additional 25% of the total number of shares subject thereto on or after each of the second, third and fourth anniversaries of the applicable Award Date, in each

case subject to adjustment under Section 3.3 of this Plan. Unless otherwise provided by the Committee in the applicable Award Agreement, to the extent that an Option is vested and exercisable, if the Participant does not in any year purchase all or any part of the shares to which the Participant is entitled, the Participant has the right cumulatively thereafter to purchase, subject to Section 2.2.3, any shares not so purchased and such right shall continue until the expiration or earlier termination of the Option under this Plan or the Award Agreement.

Notwithstanding anything to the contrary in the foregoing paragraph, and only to the extent required to satisfy Section 260.140.41 of the Regulations adopted under the California Corporate Securities Law if such section is then applicable, no Option (except an Option granted to an officer or director of the Corporation) shall become vested at a rate of less than 20% per year over five years after the date the option is granted.

2.4 Limitations on Grant and Terms of Incentive Stock Options.

2.4.1 $100,000 Limit. To the extent that the aggregate "Fair Market Value" of stock with respect to which incentive stock options first become exercisable by a Participant in any calendar year exceeds $100,000, taking into account both Common Stock subject to Incentive Stock Options under this Plan and stock subject to incentive stock options under all other plans of the Company or any parent corporation, options in excess of the $100,000 limit will be treated as Nonqualified Stock Options. For this purpose, the "Fair Market Value" of the stock subject to options will be determined as of the date the options were awarded. In reducing the number of options treated as incentive stock options to meet the $100,000 limit, the most recently granted options will be treated as Nonqualified Stock Options first. To the extent a reduction of simultaneously granted options is necessary to meet the $100,000 limit, the Committee may, in the manner and to the extent permitted by law, designate which shares of Common Stock are to be treated as shares acquired pursuant to the exercise of an Incentive Stock Option.

2.4.2 Other Code Limits. Incentive Stock Options may only be granted to employees of the Corporation or a Subsidiary that satisfies the other eligibility requirements of the Code. There will be imposed in any Award Agreement relating to Incentive Stock Options such other terms and conditions as from time to time are required in order that the Option be an "incentive stock option" as that term is defined in Section 422 of the Code.

2.4.3 ISO Notice of Sale Requirement. Any Participant who exercises an Incentive Stock Option shall give prompt written notice to the Corporation of any sale or other transfer of the shares of Common Stock acquired within one year after the exercise date or two years after the Award Date.

2.5 Limits on 10% Holders. No Option may be granted to any person who, at the time the Option is granted, owns (or is deemed to own under Section 424(d) of the Code) shares of outstanding stock of the Corporation (or a parent or subsidiary of the Corporation) possessing more than 10% of the total combined voting power of all classes of stock of the Corporation (or a parent or subsidiary of the Corporation), unless the exercise price of such Option is at least 110% of the Fair Market Value of the stock subject to the Option and, in the case of an Incentive Stock Option granted to such a person, such Option by its terms is not exercisable after the expiration of five years from the date such Option is granted.

2.6 Option Repricing/Cancellation and Regrant/Waiver of Restrictions. Subject to Section 1.4 and Section 6.6 and the specific limitations on Awards contained in this Plan, the Committee from time to time may authorize, generally or in specific cases only, for the benefit of any Eligible Person any adjustment in the exercise or purchase price, the vesting schedule, the number of shares subject to, or the restrictions upon or the term of, an Award granted under this Plan by amendment, by substitution of an outstanding Award, by waiver or by other legally valid means. Such amendment or other action may result among other changes in an exercise or purchase price that is higher or lower than the exercise or purchase price of the original or prior Award, provide for a greater or lesser number of shares of Common Stock subject to the Award, or provide for a longer or shorter vesting or exercise period.

2.7 Options and Rights in Substitution for Stock Options Granted by Other Corporations. Options and Stock Appreciation Rights may be granted to Eligible Persons under this Plan in substitution for employee stock options granted by other entities, in connection with a distribution, merger or reorganization by or with the granting entity or an affiliated entity, or the acquisition by the Company, directly or indirectly, of all or a substantial part of the stock or assets of the employing entity.

3. Stock Appreciation Rights (Including Limited Stock Appreciation Rights).

3.1 Grants. The Committee may grant to any Eligible Person Stock Appreciation Rights either concurrently with the grant of another Award or in respect of an outstanding Award, in whole or in part, or independently of any other Award. Any Stock Appreciation Right granted in connection with an Incentive Stock Option will contain such terms as may be required to comply with the provisions of Section 422 of the Code and the regulations promulgated thereunder, unless the holder otherwise agrees.

3.2 Exercise of Stock Appreciation Rights.

3.2.1 Exercisability. Unless the Award Agreement or the Committee otherwise provides, a Stock Appreciation Right related to another Award will be exercisable at such time or times, and to the extent, that the related Award will be exercisable.

3.2.2 Effect on Available Shares. To the extent that a Stock Appreciation Right is exercised, only the actual number of delivered shares of Common Stock will be charged against the maximum amount of Common Stock that may be delivered

pursuant to Awards under this Plan. The number of shares subject to the Stock Appreciation Right and the related Option of the Participant will, however, be reduced by the number of underlying shares as to which the exercise related, unless the Award Agreement otherwise provides.

3.2.3 Stand-Alone SARs. A Stock Appreciation Right granted independently of any other Award will be exercisable pursuant to the terms of the Award Agreement but in no event earlier than six months after the Award Date, except in the case of death or Total Disability.

3.2.4 Proportionate Reduction If an SAR extends to less than all the shares covered by the related Award and if a portion of the related Award is thereafter exercised, the number of shares subject to the unexercised SAR shall be reduced only if and to the extent that the remaining number of shares covered by such related Award is less than the remaining number of shares subject to such SAR.

3.3 Payment.

3.3.1 Amount. Unless the Committee otherwise provides, upon exercise of a Stock Appreciation Right and the attendant surrender of an exercisable portion of any related Award, the Participant will be entitled to receive, subject to Section 6.5, payment of an amount determined by multiplying:

(a) the difference (which shall not be less than zero) obtained by subtracting the exercise price per share of Common Stock under the related Award (if applicable) or the initial share value specified in the Award from the Fair Market Value of a share of Common Stock on the date of exercise of the Stock Appreciation Right, by

(b) the number of shares with respect to which the Stock Appreciation Right has been exercised.

3.3.2 Form of Payment. The Committee, in its sole discretion, will determine the form in which payment will be made of the amount determined under Section 3.3.1 above, either solely in cash, solely in shares of Common Stock (valued at Fair Market Value on the date of exercise of the Stock Appreciation Right), or partly in such shares and partly in cash, but the Committee will have determined that such exercise and payment are consistent with applicable law. If the Committee permits the Participant to elect to receive cash or shares (or a combination thereof) on such exercise, any such election will be subject to such conditions as the Committee may impose.

3.4 Limited Stock Appreciation Rights. The Committee may grant to any Eligible Person Stock Appreciation Rights exercisable only upon or in respect of a change in control or any other specified event ("Limited SARs") and such Limited SARs may relate to or operate in tandem or combination with, or substitution for, Options, other SARs or other Awards (or any combination thereof), and may be payable in cash or shares based on the spread between the base price of the SAR and a price based upon or equal to the Fair

Market Value of the Common Stock during a specified period or at a specified time within a specified period before, after or including the date of such event.

4. Restricted Stock Awards.

4.1 Grants. The Committee may grant one or more Restricted Stock Awards to any Eligible Person. Each Restricted Stock Award Agreement will specify the number of shares of Common Stock to be issued to the Participant, the date of such issuance, the consideration for such shares (but not less than the minimum lawful consideration under applicable state law) to be paid by the Participant, the extent (if any) to which and the time (if ever) at which the Participant will be entitled to dividends, voting and other rights in respect of the shares prior to vesting, and the restrictions (which may be based on performance criteria, passage of time or other factors or any combination thereof) imposed on such shares and the conditions of release or lapse of such restrictions. Such restrictions will not lapse earlier than six months after the Award Date, except to the extent the Committee may otherwise provide. Stock certificates evidencing shares of Restricted Stock pending the lapse of the restrictions ("Restricted Shares") will bear a legend making appropriate reference to the restrictions imposed hereunder and will be held by the Corporation or by a third party designated by the Committee until the restrictions on such shares have lapsed and the shares have vested in accordance with the provisions of the Award and Section 1.7. Upon issuance of the Restricted Stock Award, the Participant may be required to provide such further assurances and documents as the Committee may require to enforce the restrictions.

4.2 Restrictions.

4.2.1 Pre-Vesting Restraints. Except as provided in Sections 4.1 and 1.8, restricted shares comprising any Restricted Stock Award may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered, either voluntarily or involuntarily, until the restrictions on such shares have lapsed and the shares have become vested.

4.2.2 Dividend and Voting Rights. Unless otherwise provided in the applicable Award Agreement, a Participant receiving a Restricted Stock Award will be entitled to cash dividend and voting rights for all shares issued even though they are not vested, but such rights will terminate immediately as to any Restricted Shares which cease to be eligible for vesting.

4.2.3 Cash Payments. If the Participant has paid cash in connection with the grant of the Restricted Stock Award, the Award Agreement will specify whether and to what extent such cash will be returned (with or without an earnings factor) as to any restricted shares that cease to be eligible for vesting.

4.3 Return to the Corporation. Unless the Committee otherwise expressly provides, Restricted Shares that remain subject to restrictions at the time of termination of employment, or are subject to other conditions to vesting that have not been satisfied by

the time specified in the applicable Award Agreement, will not vest and will be returned to the Corporation in such manner and on such terms as the Committee provides.

5. Performance Share Awards and Stock Bonuses.

5.1 Grants of Performance Share Awards. The Committee may grant Performance Share Awards to Eligible Employees based upon such factors as the Committee deems relevant in light of the specific type and terms of the award. An Award Agreement will specify the maximum number of shares of Common Stock (if any) subject to the Performance Share Award, the consideration (but not less than the minimum lawful consideration) to be paid for any such shares as may be issuable to the Participant, the duration of the Award and the conditions upon which delivery of any shares or cash to the Participant will be based. The amount of shares or other property that may be deliverable pursuant to such Award will be based upon the degree of attainment over a specified period of not more than 10 years (a "performance cycle") as may be established by the Committee of such measure(s) of the performance of the Company (or any part thereof) or the Participant as may be established by the Committee. The Committee may provide for full or partial credit, prior to completion of such performance cycle or the attainment of the performance achievement specified in the Award, in the event of the Participant's death, Retirement, or Total Disability, a Change in Control Event or in such other circumstances as the Committee (consistent with Section 6.10.3(b), if applicable) may determine.

5.2 Special Performance-Based Share Awards. Options or SAR's granted with an exercise price not less than Fair Market Value at the applicable date of grant for Section 162(m) purposes to Eligible Employees which otherwise satisfy the conditions to deductibility under Section 162(m) are deemed "Qualifying Awards." Without limiting the generality of the foregoing, and in addition to Qualifying Awards granted under other provisions of this Plan, other performance-based awards within the meaning of Section 162(m) ("Performance-Based Awards"), whether in the form of restricted stock, performance stock, phantom stock or other rights, the vesting of which depends on the performance of the Company on a consolidated, segment, subsidiary, or division basis, with reference to revenue growth, net earnings (before or after taxes, interest, depreciation, and/or amortization), cash flow, return on equity or on assets or on net investment, stock appreciation, total stockholder return, or cost containment or reduction, or any combination thereof (the "business criteria") relative to preestablished performance goals, may be granted under this Plan. To the extent so defined, these terms are used as applied under generally accepted accounting principles and in the Company's financial reporting. The applicable business criterion or criteria and the specific performance goals must be approved by the Committee in advance of applicable deadlines under the Code and while the performance relating to such goals remains substantially uncertain. The applicable performance measurement period may not be less than one (except as provided in Section 1.6) nor more than 10 years. Other types of performance and non-performance awards may also be granted under the other provisions of this Plan. The following provisions relate to all Performance-Based Awards (other than Qualifying Awards) granted under this Plan:

5.2.1 Eligible Class. The eligible class of persons for Awards under this Section 5.2 is executive officers of the Corporation.

5.2.2 Maximum Award. Subject to Section 1.4.2, in no event will grants in any calendar year to any one individual under this Section 5.2 relate to more than 20,000 shares.

5.2.3 Committee Certification. To the extent required by Section 162(m), before any Performance-Based Award under this Section 5.2 is paid, the Committee must certify that the material terms of the Performance-Based Award were satisfied.

5.2.4 Terms and Conditions of Awards. The Committee will have discretion to determine the restrictions or other limitations of the individual Awards under this Section 5.2.

5.2.5 Stock Payout Features. In lieu of cash payment of an Award, the Committee may require or allow all or a portion of the Award to be paid in the form of stock, Restricted Shares, an Option, or another Award.

5.2.6 Adjustments for Material Changes. Performance goals or other features of an Award under this Section 5.2 may provide that they (i) shall be adjusted to reflect a change in corporate capitalization, a corporate transaction (such as a reorganization, combination, separation, or merger) or a complete or partial corporate liquidation, or (ii) shall be calculated either without regard for or to reflect any change in accounting policies or practices affecting the Company and/or the business criteria or performance goals or targets, or (iii) shall be adjusted for any other circumstance or event, or (iv) any combination of (i) through (iii), but only to the extent in each case that such adjustment or determination in respect of Performance-Based Awards would be consistent with the requirements of Section 162(m) to qualify as performance-based compensation.

5.3 Grants of Stock Bonuses. The Committee may grant a Stock Bonus to any Eligible Person to reward exceptional or special services, contributions or achievements in the manner and on such terms and conditions (including any restrictions on such shares) as determined from time to time by the Committee. The number of shares so awarded will be determined by the Committee. The Award may be granted independently or in lieu of a cash bonus.

5.4 Deferred Payments. The Committee may authorize for the benefit of any Eligible Person the deferral of any payment of cash or shares that may become due or of cash otherwise payable under this Plan, and provide for accredited benefits thereon based upon such deferment, at the election or at the request of such Participant, subject to the other terms of this Plan. Such deferral will be subject to such further conditions, restrictions or requirements as the Committee may impose, subject to any then vested rights of Participants.

6. Other Provisions.

6.1 Rights of Eligible Persons, Participants and Beneficiaries.

6.1.1 Employment Status. Status as an Eligible Person will not be construed as a commitment that any Award will be made under this Plan to an Eligible Person or to Eligible Persons generally.

6.1.2 No Employment Contract. Nothing contained in this Plan (or in any other documents related to this Plan or to any Award) will confer upon any Eligible Person or Participant any right to continue in the employ or other service of the Company, constitute any contract or agreement of employment or other service or affect an employee's status as an employee at will, nor shall interfere in any way with the right of the Company to change such person's compensation or other benefits, or to terminate his or her employment or other service, with or without cause. Nothing in this Section 3.1.2, however, is intended to adversely affect any express independent right of such person under a separate employment or service contract other than an Award Agreement.

6.1.3 Plan Not Funded. Awards payable under this Plan will be payable in shares or from the general assets of the Corporation, and (except as provided in Section 1.4.3) no special or separate reserve, fund or deposit will be made to assure payment of such Awards. No Participant, Beneficiary or other person will have any right, title or interest in any fund or in any specific asset (including shares of Common Stock) of the Company by reason of any Award hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan will create, or be construed to create, a trust of any kind or a fiduciary relationship between the Company and any Participant, Beneficiary or other person. To the extent that a Participant, Beneficiary or other person acquires a right to receive payment pursuant to any Award hereunder, such right will be no greater than the right of any unsecured general creditor of the Company.

6.1.4 Charter Documents. The Articles of Incorporation and By-Laws of the Corporation, as either of them may be amended from time to time, may provide for additional restrictions and limitations with respect to the Common Stock (including additional restrictions and limitations on the transfer of shares of Common Stock) or priorities, rights and preferences as to securities and interests prior in rights to the Common Stock. To the extent that these restrictions and limitations are greater than those set forth in this Plan or any Award Agreement, such restrictions and limitations shall apply to any shares of Common Stock acquired pursuant to the exercise of Awards and are incorporated herein by this reference.

6.2 Effects of Termination of Employment; Termination of Subsidiary Status; Discretionary Provisions.

6.2.1 Dismissal for Cause. Unless otherwise provided in the Award Agreement or a written employment agreement between the Participant and the Company and subject to earlier termination pursuant to or as contemplated by Section 1.6 or 6.3, if a Participant is terminated by the Company for Cause, the Option will terminate on the Severance Date, whether or not then vested and/or exercisable.

6.2.2 Resignation. Unless otherwise provided in the Award Agreement or a written employment agreement between the Participant and the Company (consistent with Section 260.140.46 of the Regulations adopted under the California Corporate Securities Law to the extent such provisions are applicable to the Option) and subject to earlier termination pursuant to or as contemplated by Section 1.6 or 6.3, if a Participant resigns (other than because of a Total Disability or Retirement):

(a) the Participant will have until the date that is 30 days after the Severance Date to exercise the Option (or portion thereof) to the extent that it was vested on the Severance Date;

(b) the Option, to the extent not vested on the Severance Date, shall terminate on the Severance Date; and

(c) the Option, to the extent not exercised, shall terminate at the close of business on the last day of the 30-day period.

6.2.3 Layoff or Other Involuntary Termination. Unless otherwise provided in the Award Agreement or a written employment agreement between the Participant and the Company (consistent with Section 260.140.46 of the Regulations adopted under the California Corporate Securities Law to the extent such provisions are applicable to the Option) and subject to earlier termination pursuant to or as contemplated by Section 1.6 or 6.3, if a Participant is laid off or otherwise terminated at the will of the Company (other than in circumstances constituting a termination because of Total Disability, Retirement, or a termination by the Company for Cause):

(a) the Participant will have until the date which is three (3) months after the Severance Date to exercise the Option (or portion thereof) to the extent that it was vested on the Severance Date;

(b) the Option, to the extent not vested on the Severance Date, shall terminate on the Severance Date; and

(c) the Option, to the extent not exercised, shall terminate at the close of business on the last day of the 3-month period.

6.2.4 Death, Disability, or Retirement. Unless otherwise provided in the Award Agreement or a written employment agreement between the Participant and the

Company (consistent with Section 260.140.46 of the Regulations adopted under the California Corporate Securities Law to the extent such provisions are applicable to the Option) and subject to earlier termination pursuant to or as contemplated by Section 1.6 or 6.3, if a Participant's employment by the Company terminates as a result of Total Disability or death, or the Participant's Retirement:

(a) the Participant (or his or her Personal Representative or Beneficiary, in the case of the Participant's disability or death, respectively), will have until the date that is 12 months after the Severance Date to exercise the Option (or portion thereof) to the extent that it was vested on the Severance Date;

(b) the Option, to the extent not vested on the Severance Date, shall terminate on the Severance Date; and

(c) the Option, to the extent not exercised, shall terminate at the close of business on the last day of the 12-month period.

6.2.5 Events Not Deemed a Termination of Employment. Unless Company policy or the Committee otherwise provides, a Participant's employment relationship with the Company shall not be considered terminated solely due to any sick leave, military leave, or any other leave of absence, authorized by the Company or the Committee. Any Option held by any Eligible Person on approved leave of absence shall continue to vest, unless the Committee or Company otherwise provides in connection with the Award, the particular leave or by Company policy. In no event shall an Option be exercised after the expiration of the term set forth in the Award Agreement or the termination of the Option in accordance with Section 6.3.

6.2.6 Effect of Change of Subsidiary Status. For purposes of this Plan and any Option hereunder, if an entity ceases to be a Subsidiary, a termination of employment will be deemed to have occurred with respect to each Eligible Person in respect of such Subsidiary who does not continue as an Eligible Person in respect of another entity within the Company.

6.2.7 Committee Discretion. Notwithstanding the foregoing provisions of this Section 6.2, in the event of, or in anticipation of, a termination of employment with the Company for any reason, other than a discharge for cause, the Committee may increase the portion of the Participant's Option available to the Participant, or Participant's Beneficiary or Personal Representative, as the case may be, or, subject to the provisions of Section 6.3, extend the exercisability period upon such terms as the Committee determines and expressly sets forth in or by amendment to the Award Agreement.

6.3 Adjustments; Acceleration.

6.3.1 Adjustments. Subject to Section 6.3.5, upon or in contemplation of any reclassification, recapitalization, stock split (including a stock split in the form of

a stock dividend) or reverse stock split; any merger, combination, consolidation or other reorganization; any split-up; spin-off, or similar extraordinary dividend distribution ("spin-off") in respect of the Common Stock (whether in the form of securities or property); any exchange of Common Stock or other securities of the Corporation, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; or a sale of substantially all the assets of the Corporation as an entirety ("asset sale"); then the Committee shall, in such manner, to such extent (if any) and at such time as it deems appropriate and equitable in the circumstances:

(a) in any of such events, proportionately adjust any or all of (i) the number of shares of Common Stock or the number and type of other securities that thereafter may be made the subject of Awards (including the specific maxima and numbers of shares set forth elsewhere in this Plan), (ii) the number, amount and type of shares of Common Stock (or other securities or property) subject to any or all outstanding Awards, (iii) the grant, purchase, or exercise price of any or all outstanding Awards, (iv) the securities, cash or other property deliverable upon exercise of any outstanding Awards, or (v) the performance standards appropriate to any outstanding Awards, or

(b) in the case of a reclassification, recapitalization, merger, consolidation, combination, or other reorganization, spin-off or asset sale, make provision for a cash payment or for the substitution or exchange of any or all outstanding Awards or the cash, securities or property deliverable to the holder of any or all outstanding Awards based upon the distribution or consideration payable to holders of the Common Stock upon or in respect of such event.

In this context, the Committee may not make adjustments that would disqualify Options as Incentive Stock Options without the written consent of holders of Incentive Stock Options materially adversely affected thereby.

In any of such events, the Committee may take such action prior to such event to the extent that the Committee deems the action necessary to permit the Participant to realize the benefits intended to be conveyed with respect to the underlying shares in the same manner as is or will be available to stockholders generally.

6.3.2 Acceleration of Awards Upon Change in Control. Subject to Section 6.3.5, the Committee may, in its discretion (in the Award Agreement, at the time of the event, or otherwise), provide that upon the occurrence of (or, as may be necessary to effectuate the purposes of the acceleration, immediately prior to) a Change in Control Event:

(a) each Option and Stock Appreciation Right will become immediately vested and exercisable,

(b) Restricted Stock will immediately vest free of restrictions, and

(c) each Performance Share Award will become payable to the Participant.

The Committee may provide that only certain Awards (or portions thereof) will be so accelerated, may determine the extent to which acceleration will occur, may establish a different time in respect of the Change in Control Event for the acceleration, and may accord any Eligible Person a right to refuse any acceleration. A Participant's Awards shall also be subject to any acceleration provisions that are expressly set forth in a written agreement of employment (if any) between the Company and the Participant in effect on the grant date of the Award. Any acceleration of Awards will comply with applicable legal requirements and, if necessary to accomplish the purposes of the acceleration or if the circumstances otherwise require, may be deemed by the Committee to occur (subject to Sections 6.3.4 through 6.3.6) not greater than 30 days before or only upon the consummation of the event.

6.3.3 Possible Early Termination of Accelerated Awards. If any Option or other right to acquire Common Stock under this Plan has been fully accelerated as permitted by Section 6.3.2 but is not exercised prior to (i) a dissolution of the Corporation, or (ii) an event described in Section 6.3.1 that the Corporation does not survive, or (iii) the consummation of an event described in Section 6.3.1 involving a Change in Control Event approved by the Board, such Option or right will terminate, subject to any provision that has been expressly made by the Committee through a plan of reorganization approved by the Board or otherwise for the survival, substitution, assumption, exchange or other settlement of such Option or right.

6.3.4 Possible Rescission of Acceleration. If the vesting of an Option has been accelerated in anticipation of an event and the Committee or the Board later determines that the event will not occur, the Committee may rescind the effect of the acceleration as to any then outstanding and unexercised or otherwise unvested Options.

6.3.5 Pooling Exception. Any discretion with respect to the events addressed in this Section 6.3, including any acceleration of vesting, shall be limited to the extent required by applicable accounting requirements in the case of a transaction intended to be accounted for as a pooling of interests transaction.

6.4 Compliance with Laws.

6.4.1 General. This Plan, the granting and vesting of Awards under this Plan and the offer, issuance and delivery of shares of Common Stock and/or the payment of money under this Plan or under Awards are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law, and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the

opinion of counsel for the Corporation, be necessary or advisable in connection therewith. Any securities delivered under this Plan may be subject to such restrictions that the Committee may require to preserve a pooling of interests under generally accepted accounting principles. The person acquiring such securities will, if requested by the Corporation, provide such assurances and representations to the Corporation as the Committee may deem necessary or desirable to assure compliance with all applicable legal and accounting requirements.

Without limiting the foregoing provisions of this Section 6.4.1 and to the extent applicable, (a) the provisions of this Plan and Options are subject to compliance with Section 260.140.41 of the Regulations adopted under the California Corporate Securities Law, and (b) the Corporation shall deliver annually to Participants such financial statements of the Corporation as are required to satisfy Section 260.140.46 of the Regulations adopted under the California Corporate Securities Law.

6.4.2 Compliance with Securities Laws. No Participant shall sell, pledge or otherwise transfer shares of Common Stock acquired pursuant to an Award or any interest in such shares except in accordance with the express terms of this Plan and the applicable Award Agreement. Any attempted transfer in violation of this Section 6.4 shall be void and of no effect. Without in any way limiting the provisions set forth above, no Participant shall make any disposition of all or any portion of shares acquired pursuant to an Award, except in compliance with all applicable federal and state securities laws and unless and until:

(a) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(b) such disposition is made in accordance with Rule 144 under the Securities Act; or

(c) such Participant notifies the Corporation of the proposed disposition and furnishes the Corporation with a statement of the circumstances surrounding the proposed disposition, and, if requested by the Corporation, such Participant furnishes the Corporation with an opinion of counsel acceptable to the Corporation's counsel, that such disposition will not require registration under the Securities Act and will be in compliance with all applicable state securities laws.

Notwithstanding anything else herein to the contrary, the Company has no obligation to register the Common Stock or file any registration statement under either federal or state securities laws, nor does the Company make any representation concerning the likelihood of a public offering of the Common Stock or any other securities of the Company.

6.4.3 Share Legends. All certificates evidencing shares of Common Stock issued or delivered under this Plan shall bear the following legends and/or any other appropriate or required legends under applicable laws:

"OWNERSHIP OF THIS CERTIFICATE, THE SHARES EVIDENCED BY THIS CERTIFICATE AND ANY INTEREST THEREIN ARE SUBJECT TO SUBSTANTIAL RESTRICTIONS ON TRANSFER UNDER APPLICABLE LAW AND UNDER AGREEMENTS WITH THE CORPORATION, INCLUDING RESTRICTIONS ON SALE, ASSIGNMENT, TRANSFER, PLEDGE OR OTHER DISPOSITION."

"THE SHARES ARE SUBJECT TO RIGHTS OF FIRST REFUSAL AND THE CORPORATION'S CALL RIGHTS TO REPURCHASE THEM UNDER THE CORPORATION'S 1999 LONG-TERM INCENTIVE PLAN AND AGREEMENTS WITH THE CORPORATION THEREUNDER, COPIES OF WHICH ARE AVAILABLE FOR REVIEW AT THE OFFICE OF THE SECRETARY OF THE CORPORATION."

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"), NOR HAVE THEY BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. NO TRANSFER OF SUCH SECURITIES WILL BE PERMITTED UNLESS A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, THE TRANSFER IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE ACT, OR IN THE OPINION OF COUNSEL TO THE CORPORATION, REGISTRATION UNDER THE ACT IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE ACT AND WITH APPLICABLE STATE SECURITIES LAWS."

6.5 Tax Withholding.

6.5.1 Tax Withholding. Upon any exercise, vesting, or payment of any Option or upon the disposition of shares of Common Stock acquired pursuant to the exercise of an Incentive Stock Option prior to satisfaction of the holding period requirements of Section 422 of the Code, the Company shall have the right at its option to:

(a) require the Participant (or Personal Representative or Beneficiary, as the case may be) to pay or provide for payment of the amount of any taxes which the Company may be required to withhold with respect to such Option event or payment;

(b) deduct from any amount payable in cash the amount of any taxes which the Company may be required to withhold with respect to such cash payment; or

(c) reduce the number of shares of Common Stock to be delivered by (or otherwise reacquire) the appropriate number of shares of Common Stock, valued at their then Fair Market Value, to satisfy such withholding obligation.

The Committee may in its sole discretion (subject to Section 6.4) grant (either at the time of the Option or thereafter) to the Participant the right to elect, pursuant to such rules and subject to such conditions as the Committee may establish, to have the Corporation utilize the withholding offset under clause (c) above.

6.5.2 Tax Loans. If so provided in the Award Agreement or otherwise authorized by the Committee, the Corporation may, to the extent permitted by law, authorize a loan to an Eligible Person in the amount of any taxes that the Company may be required to withhold with respect to shares of Common Stock received (or disposed of, as the case may be) pursuant to a transaction described in Section 6.5.1. Such a loan will be for a term not greater than nine months and at a rate of interest and pursuant to such other terms and conditions as the Corporation, under applicable law, may establish.

6.6 Plan Amendment, Termination and Suspension.

6.6.1 Board Authorization. The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part. No Awards may be granted during any suspension of this Plan or after termination of this Plan, but the Committee will retain jurisdiction as to Awards then outstanding in accordance with the terms of this Plan.

6.6.2 Stockholder Approval. Any amendment to this Plan shall be subject to stockholder approval to the extent then required under Section 422 or 424 of the Code or any other applicable law, or deemed necessary or advisable by the Board.

6.6.3 Amendments to Awards. Without limiting any other express authority of the Committee under but subject to the express limits of this Plan, the Committee by agreement or resolution (a) may waive conditions of or limitations on Awards to Eligible Persons that the Committee in the prior exercise of its discretion has imposed, without the consent of a Participant, and (b) may make other changes to the terms and conditions of Awards that do not affect in any manner materially adverse to the Participant, the Participant's rights and benefits under an Award, provided that changes contemplated by Section 6.3 or Section 6.6.5 will not be deemed to constitute changes or amendments for purposes of this Section 6.6.

6.6.4 Limitations on Amendments to Plan and Awards. No amendment, suspension or termination of this Plan or change of or affecting any outstanding Award will, without written consent of the Participant, affect in any manner materially adverse to the Participant any rights or benefits of the Participant or obligations of the Corporation under any Award granted under this Plan prior to the effective date of

such change. Changes contemplated by Section 6.3 or Section 6.6.5 will not be deemed to constitute changes or amendments for purposes of this Section 6.6.

6.6.5 Accounting Changes. Notwithstanding the foregoing provisions of this Section 6.6.3 or Section 6.6.4, if the accounting treatment under generally accepted accounting principles of any Options granted hereunder would be materially more adverse to the Company than anticipated at the time of approval of this Plan or the Options (including, without limitation, if any Option(s) would render pooling accounting unavailable to the Company with respect to any transaction that would, in the absence of such Option(s), be accounted for as a pooling of interests transaction) because of a change in those principles or the interpretation or application thereof by the Corporation's independent accountants, the Committee may, in the exercise of its discretion and without the consent of the Participant, amend the terms of such Options to the extent the Committee deems necessary to eliminate such effect.

6.7 Privileges of Stock Ownership. Except as otherwise expressly authorized by the Committee or this Plan, a Participant will not be entitled to any privilege of stock ownership as to any shares of Common Stock not actually delivered to and held of record by the Participant. No adjustment will be made for dividends or other rights as a stockholder for which a record date is prior to such date of delivery.

6.8 Effective Date of the Plan. This Plan is effective upon its approval by the Board (the "Effective Date"), subject to approval by the stockholders of the Corporation within twelve months after the date of such Board approval.

6.9 Term of the Plan. Unless earlier terminated by the Board, this Plan will terminate at the close of business on the day before the 10th anniversary of the Effective Date (the "Termination Date") and no Awards may be granted under this Plan after that date. Unless otherwise expressly provided in this Plan or in an applicable Award Agreement, any Award granted prior to the termination date may extend beyond such date, and all authority of the Committee with respect to Awards hereunder, including the authority to amend an Award, will continue during any suspension of this Plan and in respect of Awards outstanding on the termination date.

6.10 Governing Law/Construction/Severability.

6.10.1 Choice of Law. This Plan, the Awards, all documents evidencing Awards and all other related documents will be governed by, and construed in accordance with, the laws of the state of Delaware.

6.10.2 Severability. If a court of competent jurisdiction holds any provision invalid and unenforceable, the remaining provisions of this Plan will continue in effect provided that the essential economic terms of this Plan and any Award can still be enforced.

6.10.3 Plan Construction.

(a) Rule 16b-3. It is the intent of the Corporation that transactions involving the Awards under this Plan, in the case of Participants who are or may be subject to Section 16 of the Exchange Act, satisfy to the extent feasible the requirements for applicable exemptions under Rule 16 so that such persons (unless they otherwise agree) will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act in respect of those transactions and will not be subjected to avoidable liability thereunder.

(b) Section 162(m). It is the further intent of the Company that Options or SARs with an exercise or base price not less than Fair Market Value on the date of grant and Performance-Based Awards under Section 5.2 of this Plan that are granted to or held by a person subject to Section 162(m) will qualify as performance-based compensation under Section 162(m) to the extent that the Committee authorizing the Award (or the payment thereof, as the case may be) satisfies the administrative requirements thereof. This Plan shall be interpreted consistent with such intent.

6.11 Captions. Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings will not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.

6.12 Non-Exclusivity of Plan. Nothing in this Plan will limit or be deemed to limit the authority of the Board or the Committee to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.

6.13 No Restriction on Corporate Powers. The existence of the Plan and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Board or the stockholders of the Corporation to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, any merger or consolidation of the Corporation, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Corporation's capital stock or the rights thereof, the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding.

6.14 Effect on Other Benefits. Payments and other benefits received by a Participant under an Award made pursuant to this Plan shall not be deemed a part of a Participant's regular, recurring compensation for purposes of the termination, indemnity or severance pay law of any country or state and shall not be included in, nor have any effect on, the determination of benefits under any other employee benefit plan or similar arrangement provided by the Corporation or a Subsidiary unless expressly so provided by such other plan or arrangements. Awards under this Plan may be made in combination with or in

tandem with, or as alternatives to, grants, awards or payments under any other Corporation or Subsidiary plan.

7. Definitions.

"Award" means an award of any Option, Stock Appreciation Right, Restricted Stock, Stock Bonus, performance share award, dividend equivalent or deferred payment right or other right or security that would constitute a "derivative security" under Rule 16a-1(c) of the Exchange Act, or any combination thereof, whether alternative or cumulative, authorized by and granted under this Plan.

"Award Agreement" means any writing setting forth the terms of an Award that has been authorized by the Committee.

"Award Date" means the date upon which the Committee took the action granting an Award or such later date as the Committee designates as the Award Date at the time of the grant of the Award.

"Beneficiary" means the person, persons, trust or trusts designated by a Participant, or, in the absence of a designation, entitled by will or the laws of descent and distribution, to receive the benefits specified in the Award Agreement and under this Plan if the Participant dies, and means the Participant's executor or administrator if no other Beneficiary is designated and able to act under the circumstances.

"Board" means the Board of Directors of the Corporation.

"Cause" means any act of theft, embezzlement, fraud, dishonesty, gross negligence, repeated failure to perform assigned duties, a breach of fiduciary duty to the Corporation or a breach of or deliberate disregard of the applicable law or Company policy in any material respect, the unauthorized disclosure of any trade secrets or confidential information of the Corporation, unfair competition with the Corporation, inducement of any customer of the Corporation to break any contract with the Corporation, or inducement of any principal for whom the Corporation acts as agent to terminate such agency relationship. For the purpose of this Plan, a termination of services for Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Board or Committee) on the date when the Company delivers notice to the Participant of Cause and shall be final in all respects on the date the Participant's service is terminated. For purposes of this definition, the Corporation includes any affiliate of the Corporation.

"Change in Control Event" means any of the following:

(a) Approval by the stockholders of the Corporation of the dissolution or liquidation of the Corporation;

(b) Approval by the stockholders of the Corporation of a merger, consolidation, or other reorganization, with or into, or the sale of all or substantially all of the Corporation's business and/or assets as an entirety to, one or more entities that are not Subsidiaries or other affiliates of the Company (a "Business Combination"),

unless (1) as a result of the Business Combination more than 50% of the outstanding voting power generally in the election of directors of the surviving or resulting entity or a parent thereof (the "Successor Entity") immediately after the reorganization are, or will be, owned, directly or indirectly, by holders of the Corporation's voting securities immediately before the Business Combination; and (2) no Person (excluding the Successor Entity or an Excluded Person) beneficially owns, directly or indirectly, more than 50% of the outstanding shares or the combined voting power of the outstanding voting securities of the Successor Entity, after giving effect to the Business Combination, except to the extent that such ownership existed prior to the Business Combination.

The stockholders before and after the Business Combination shall be determined on the basis of the following assumptions: (1) there is no change in the record ownership of the Corporation's securities from the record date for such approval until the consummation of the Business Combination, and (2) record owners other than affiliates of the Corporation hold no securities of the other parties to such reorganization.

(c) Approval by the stockholders of the Corporation of the sale of substantially all of the Corporation's business and/or assets to a person or entity that is not a Subsidiary or other affiliate; or;

(d) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act other than an Excluded Person becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing more than 50% of the combined voting power of the Corporation's then outstanding securities entitled to then vote generally in the election of directors of the Corporation, other than as a result of (1) an acquisition directly from the Company, (2) an acquisition by the Company, (3) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or a Successor Entity; or

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commission" means the Securities and Exchange Commission.

"Committee" means the Board or one or more committees of director(s) appointed by the Board to administer this Plan with respect to the Awards within the scope of authority delegated to the acting Committee by the Board. At least one committee will be comprised only of two or more directors, each of whom, in respect of any decision involving both (i) a Participant affected by the decision who is or may be subject to Section 162(m), and (ii) compensation intended as performance-based compensation within the meaning of Section 162(m), will be Disinterested; in acting on any transaction with or for the benefit of a Section 16 Person, the participating members of such Committee also shall be Non-Employee Directors within the meaning of Rule 16b-3.

"Common Stock" means the shares of the Class C Common Stock of the Corporation and such other securities or property as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 6.3 of this Plan.

"Company" means the Corporation and its Subsidiaries.

"Corporation" means RC Transaction Corp., a Delaware corporation, and its successors.

"Disinterested" means a director who is an "outside director" within the meaning of Section 162(m) and any applicable legal or regulatory requirements.

"Early Terminate Date" means the date the Common Stock is first registered under the Exchange Act and listed or quoted on a recognized national securities exchange or in the NASDAQ National Market Quotation System.

"Eligible Employee" means an officer (whether or not a director) or employee of the Company.

"Eligible Person" means an Eligible Employee, or any Other Eligible Person, as determined by the Committee.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Excluded Person" means (a) any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act, (b) Evercore Capital Partners L.P. (or its successor), (c) the Company, or (d) an employee benefit plan (or related trust) sponsored or maintained by the Company or the Successor Entity.

"Fair Market Value" on any date means:

(a) if the stock is listed or admitted to trade on a national securities exchange, the closing price of the stock on the Composite Tape, as published in the Western Edition of The Wall Street Journal, of the principal national securities exchange on which the stock is so listed or admitted to trade, on such date, or, if there is no trading of the stock on such date, then the closing price of the stock as quoted on such Composite Tape on the next preceding date on which there was trading in such shares;

(b) if the stock is not listed or admitted to trade on a national securities exchange, the last/closing price for the stock on such date, as furnished by the National Association of Securities Dealers, Inc. ("NASD") through the NASDAQ National Market Reporting System or a similar organization if the NASD is no longer reporting such information;

(c) if the stock is not listed or admitted to trade on a national securities exchange and is not reported on the National Market Reporting System, the mean between the bid and asked price for the stock on such date, as furnished by the NASD or a similar organization; or

(d) if the stock is not listed or admitted to trade on a national securities exchange, is not reported on the National Market Reporting System and if bid and asked prices for the stock are not furnished by the NASD or a similar organization, the value as established by the Committee at such time for purposes of this Plan.

Any determination as to fair market value made pursuant to this Plan shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse, and shall be conclusive and binding on all persons.

"Incentive Stock Option" means an Option that is designated and intended as an incentive stock option within the meaning of Section 422 of the Code, the award of that contains such provisions (including but not limited to the receipt of stockholder approval of this Plan, if the award is made prior to such approval) and is made under such circumstances and to such persons as may be necessary to comply with that section.

"Nonqualified Stock Option" means an Option that is designated as a Nonqualified Stock Option and will include any Option intended as an Incentive Stock Option that fails to meet the applicable legal requirements thereof. Any Option granted hereunder that is not designated as an incentive stock option will be deemed to be designated a nonqualified stock option under this Plan and not an incentive stock option under the Code.

"Option" means an option to purchase Common Stock granted under this Plan. The Committee will designate any Option granted to an employee of the Corporation or a Subsidiary as a Nonqualified Stock Option or an Incentive Stock Option.

"Other Eligible Person" means any director of, or any individual consultant or advisor or agent who renders or has rendered bona fide services (other than
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services in connection with the offering or sale of securities of the Company in a capital raising transaction) to, the Company, and who (to the extent provided in the next sentence) is selected to participate in this Plan by the Committee. A person who is neither an employee, officer, nor director who provides bona
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fide services to the Company may be selected as an Other Eligible Person only
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if such person's participation in this Plan would not adversely affect (a) the Corporation's eligibility to use Form S-8 to register under the Securities Act, the offering of shares issuable under this Plan by the Company, or (b) the Corporation's compliance with any other applicable laws.

"Participant" means an Eligible Person who has been granted and holds an Award under this Plan.

"Performance Share Award" means an Award of a right to receive shares of Common Stock under Section 5.1, or to receive shares of Common Stock or other compensation (including cash) under Section 5.2, the issuance or payment of which is contingent upon, among other conditions, the attainment of performance objectives specified by the Committee.

"Personal Representative" means the person or persons who, upon the disability or incompetence of a Participant, has acquired on behalf of the Participant, by legal proceeding or otherwise, the power to exercise the rights or receive benefits under this Plan by virtue of having become the legal representative of the Participant.

"Plan" means this Resources Connection, Inc. 1999 Long-Term Incentive Plan, as it may hereafter be amended from time to time.

"Restricted Shares" or "Restricted Stock" means shares of Common Stock awarded to a Participant under this Plan, subject to payment of such consideration, if any, and such conditions on vesting (which may include, among others, the passage of time, specified performance objectives or other factors) and such transfer and other restrictions as are established in or pursuant to this Plan and the related Award Agreement, for so long as such shares remain unvested under the terms of the applicable Award Agreement.

"Retirement" means retirement with the consent of the Company or, from active service as an employee or officer of the Company on or after attaining (a) age 55 with ten or more years of employment with the Company, or (b) age 65.

"Rule 16b-3" means Rule 16b-3 as promulgated by the Commission pursuant to the Exchange Act, as amended from time to time.

"Section 16 Person" means a person subject to Section 16(a) of the Exchange Act.

"Section 162(m)" means Section 162(m) of the Code and the regulations promulgated thereunder.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Severance Date" means the date of a Participant's termination of employment with the Company for any reason whatsoever.

"Stock Appreciation Right" or "SAR" means a right authorized under this Plan to receive a number of shares of Common Stock or an amount of cash, or a combination of shares and cash, the aggregate amount or value of which is determined by reference to a change in the Fair Market Value of the Common Stock.

"Stock Bonus" means an Award of shares of Common Stock granted under this Plan for no consideration other than past services and without restriction other than such transfer or other restrictions as the Committee may deem advisable to assure compliance with law.

"Subsidiary" means any corporation or other entity a majority of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Corporation.

"Total Disability" means a "total and permanent disability" within the meaning of Section 22(e)(3) of the Code and, with respect to Awards other than Incentive Stock Options, such other disabilities, infirmities, afflictions, or conditions as the Committee may include.

EXHIBIT 10.3

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made as of April 1, 1999, between Donald B. Murray ("Employee") and RC Transaction Corp. (the "Company").

RECITALS

The Company desires to establish its right to the services of Employee in the capacities described below, on the terms and conditions hereinafter set forth, and Employee is willing to accept such employment on such terms and conditions.

AGREEMENT

The parties agree as follows:

1. DUTIES

(a) The Company does hereby hire, engage, and employ Employee as the Chief Executive Officer of the Company, and Employee does hereby accept and agree to such hiring, engagement, and employment. During the Period of Employment (as defined in Section 2), Employee shall serve the Company in such position fully, diligently, competently, and in conformity with the provisions of this Agreement, directives of the Board of Directors of the Company (the "Board"), and the corporate policies of the Company as they presently exist, and as such policies may be amended, modified, changed, or adopted during the Period of Employment, and Employee shall have duties and authority consistent with Employee's position as Chief Executive Officer. If requested by the Company, Employee shall also serve as a member of the Board and Board committees without additional compensation.

(b) Throughout the Period of Employment, Employee shall devote his full time, energy, and skill to the performance of his duties for the Company, vacations and other leave authorized under this Agreement excepted. The foregoing notwithstanding, Employee shall be permitted to (i) engage in charitable and community affairs, (ii) act as a director of any corporations or organizations outside the Company, not to exceed five (5) in number, and receive compensation therefor, and (iii) to make investments of any character in any business or businesses and to manage such investments (but not be involved in the day-to-day operations of any such business); provided, in each case, and in the aggregate, that such activities do not interfere with the performance of Employee's duties hereunder or conflict with the provisions of Sections 12 and 13.

(c) Employee shall exercise due diligence and care in the performance of his duties for and the fulfillment of his obligations to the Company under this Agreement.

(d) During the Period of Employment, the Company shall furnish Employee with office, secretarial and other facilities and services as are reasonably necessary or appropriate for

the performance of Employee's duties hereunder and consistent with his position as the Chief Executive Officer of the Company.

(e) Employee hereby represents to the Company that the execution and delivery of this Agreement by Employee and the Company and the performance by Employee of Employee's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment or other agreement or policy to which Employee is a party or otherwise bound.

2. PERIOD OF EMPLOYMENT

The "Period of Employment" shall, unless sooner terminated as provided herein, be five (5) years commencing on April 1, 1999 (the "Effective Date") and ending with the close of business on March 31, 2004. Notwithstanding the preceding sentence, commencing with April 1, 2004 and on each April 1 thereafter (each an "Extension Date"), the Period of Employment shall be automatically extended for an additional one-year period, unless the Company or Employee provides the other party hereto sixty (60) days' prior written notice before the next scheduled Extension Date that the Period of Employment shall not be so extended (the "Non-Extension Notice"). The term "Period of Employment" shall include any extension that becomes applicable pursuant to the preceding sentence.

3. COMPENSATION

(a) BASE SALARY. During the Period of Employment, the Company shall pay
Employee, and Employee agrees to accept from the Company, in payment for his services, a base salary of four-hundred twenty-five thousand dollars ($425,000) per year ("Base Salary"), payable in equal semi-monthly installments or at such other time or times as Employee and the Company shall agree. The Board shall consider not less frequently than annually upward adjustment to Employee's Base Salary. The determination of whether Employee's Base Salary will be upwardly adjusted is within the sole and absolute discretion of the Board. The Board at any time or times may, but shall have no obligation to, supplement Employee's salary by such bonuses and/or other special payments and benefits as the Company in its sole and absolute discretion may determine.

(b) ANNUAL INCENTIVE COMPENSATION. During the Period of Employment,
Employee shall be entitled to participate in any annual incentive or bonus plan or plans maintained by the Company for senior management employees of the Company generally, in accordance with the terms, conditions, and provisions of each such plan as the same may be changed, amended, or terminated, from time to time.

(c) EQUITY COMPENSATION. During the Period of Employment, Employee shall be
entitled to participate in any equity-based plan or arrangement, including, but not limited to, stock options, stock appreciation rights, restricted stock, or other equity incentive plans or arrangements maintained by the Company for senior management employees of the Company generally, in accordance with the terms, conditions, and provisions of each such plan or arrangement as the same may be changed, amended, or terminated, from time to time.

(d) CONTRACT REIMBURSEMENT. The Company shall reimburse Employee or directly pay for all reasonable consulting and legal fees and costs attributed to the development, reviews and modifications of this Agreement and associated consulting and legal services in accordance with the provisions of Section 4(d). Such fees and costs shall not exceed five thousand dollars ($5,000). This subsection (d) shall not be deemed to limit any of Employee's rights under Section 22 ("Attorneys' Fees").

4. BENEFITS

(a) HEALTH AND WELFARE. During the Period of Employment, Employee shall be entitled to participate in all health and welfare benefit plans and programs and all retirement, deferred compensation and similar plans and programs generally available to all other senior management employees of the Company or to all employees of the Company as in effect from time to time, subject to any restrictions specified in such plans and programs.

(b) FRINGE BENEFITS. During the Period of Employment, Employee shall be entitled to participate in all fringe benefit plans and programs generally available to all other senior management employees of the Company or to all employees of the Company as in effect from time to time, subject to any restrictions specified in such plans and programs.

(c) VACATION AND OTHER LEAVE. Employee shall be entitled to such amounts of paid vacation and other leave, but not less than four (4) weeks vacation per twelve-month period of employment, as from time to time may be allowed to the Company's senior management personnel generally, with such vacation to be scheduled and taken in accordance with the Company's standard vacation policies applicable to such personnel.

(d) BUSINESS EXPENSES. During the Period of Employment, reasonable business expenses incurred by Employee in the performance of Employee's duties hereunder shall be reimbursed by the Company in accordance with the Company's business expense reimbursement policies as in effect from time to time.

(e) AUTOMOBILE. To the extent provided to other senior officers or executives of the Company, during the Period of Employment, Employee shall be entitled to receive an automobile allowance or a leased automobile and reimbursement for expenses associated with the operation and maintenance of such automobile. The Company will reimburse Employee upon presentation of vouchers and documentation for any such operational and maintenance expenses which are consistent with the usual accounting procedures of the Company.

5. PUT AND CALL RIGHTS.

(a) EMPLOYEE'S STOCK. At any time, this Section 5 shall apply to all shares of the Company's common stock, par value one cent ($.01) per share, owned by Employee at that time ("Employee's Stock"). As of the date hereof, one hundred forty-seven thousand nine hundred (147,900) shares of Employee's Stock ("Employee's Restricted Stock") consist of shares of the Company's common stock that were issued pursuant to the Company's 1998 Employee Stock Purchase Plan (the "Stock Purchase Plan") and a Restricted Stock Agreement between Employee and the Company (the "Restricted Stock Agreement"). The provisions of this Section 5 apply to Employee's Stock, including Employee's Restricted Stock,

notwithstanding any provisions of the Stock Purchase Plan or the Restricted Stock Agreement to the contrary; provided, however, that the Stock Purchase Plan and the Restricted Stock Agreement shall otherwise continue in full force and effect with respect to the Employee's Restricted Stock to the extent not inconsistent with the express language of this Section 5.

(b) EMPLOYEE'S PUT RIGHT. If Employee's employment with the Company ends due to termination by the Company without Cause or resignation by Employee with Good Reason prior to a Qualified Public Offering, then Employee may cause the Company to purchase all or part of Employee's Stock (a "Put"), for a purchase price equal to Fair Market Value, by giving the Company notice (the "Put Notice") at any time within one-hundred eighty (180) days after such end of employment. The Put Notice shall state the number of shares of Employee's Stock with respect to which he is exercising a Put (the "Put Shares") and the Fair Market Value thereof in Employee's good faith opinion.

(c) COMPANY'S CALL RIGHT. If Employee's employment with the Company ends due to termination by the Company or resignation by Employee prior to a Qualified Public Offering, then the Company may purchase (i) in the case of termination by the Company for Cause or Employee's resignation without Good Reason, all or part of Employee's Stock, for a purchase price equal to (A) the lesser of Fair Market Value or ten dollars ($10.00) per share with respect to Unvested Employee's Stock and (B) Fair Market Value with respect to Vested Employee's Stock; or (ii) in the case of termination by the Company without Cause or Employee's resignation with Good Reason, up to but not exceeding twenty-five percent (25%) of Employee's Stock, for consideration equal to Fair Market Value; in each case (a "Call") by giving Employee notice (a "Call Notice") at any time within one-hundred eighty (180) days after such termination or resignation. The Call Notice shall state the number of shares of Employee's Stock with respect to which the Company is exercising a Call (the "Call Shares") and the Fair Market Value thereof in the Company's good faith opinion.

(d) PUT AND CALL RIGHTS UPON DEATH OR DISABILITY. Upon any termination of the Period of Employment and Employee's employment hereunder by reason of Employee's death or Permanent Disability, Employee or his estate shall have a Put right to cause the Company to purchase, and the Company shall have a Call right to purchase from Employee or his estate, all or part of such shares of Employee's Stock that have not been purchased by the Company or the Initial Founders (as defined in the Stockholders Agreement dated as of the date hereof, among the Company, Employee and certain other stockholders of the Company (the "Stockholders Agreement")) pursuant to Section 3.3 of the Stockholders' Agreement, for consideration equal to Fair Market Value, in each case by giving notice to the other party invoking this paragraph (d) (which notice shall be considered a Put Notice or Call Notice, as the case may be, for the purposes of this Agreement) within thirty (30) days after the date of the Transfer Notice (as defined in the Stockholders Agreement).

(e) FAIR MARKET VALUE. "Fair Market Value" means the fair market value, without minority discount, per share of the Company's common stock on the date of the Put Notice or the Call Notice, as the case may be, determined as follows: (i) first, Employee and the Company shall attempt in good faith to agree promptly upon the Fair Market Value; (ii) second, if Employee and the Company do not agree upon the Fair Market Value within ten (10) days after the Put Notice or the Call Notice, as the case may be, then Employee and the Company

shall agree upon an independent appraiser to determine the Fair Market Value; and (iii) third, if Employee and the Company do not agree upon an independent appraiser within twenty (20) days after the Put Notice or the Call Notice, as the case may be, then Employee and the Company each shall promptly appoint one independent appraiser, and such appraisers shall promptly appoint a third independent appraiser, whereupon such third independent appraiser shall promptly make its independent determination of the fair market value of the Company's Common Stock, which determination shall be deemed the Fair Market Value; provided, however, that if the Company's common stock is listed and actively trading on the New York Stock Exchange, the American Stock Exchange or the National Market System of the Nasdaq Stock Market, then the Fair Market Value shall equal the average closing price of the Company's common stock on such market during the twenty (20) trading days prior to the date of the Put Notice or the Call Notice, as the case may be. The fees of any appraiser pursuant to subsection (e)(ii) shall be borne by the Company. The fees of each appraiser appointed by a party pursuant to subsection (e)(iii) shall be borne by the party that appointed such appraiser, and the fees of the third appraiser pursuant to subsection (e)(iii) shall be borne by the Company.

(f) PURCHASE. The closing of a Put or a Call, as the case may be, shall take place no later than fifteen (15) days after the determination of Fair Market Value under subsection (e) above (the "Closing"). At the Closing, the Company shall purchase from Employee, and Employee shall sell to the Company, the Put Shares or the Call Shares, as the case may be, and the Company shall pay to Employee in cash the purchase price specified above.

(g) VESTING OF EMPLOYEE'S STOCK. Employee's Stock shall be deemed to be vested ("Vested Employee's Stock") as follows: (i) one-third (1/3) of the shares of Employee's Stock owned by Employee as of the date hereof shall be deemed vested as of the date hereof; (ii) an additional one-sixth (1/6) of the shares of Employee's Stock owned by Employee as of the date hereof shall be deemed vested as of each of the next four anniversaries of the date of this Agreement; and (iii) all shares of Employee's Stock acquired by Employee after the date hereof shall thereupon be deemed fully vested for all purposes of this Agreement (unless such shares are restricted stock acquired under the Restricted Stock Plan or any similar plan, in which case such shares shall be subject to the vesting and other terms and conditions of the Restricted Stock Plan or other such plan, notwithstanding this clause (iii)). "Unvested Employee's Stock" means such shares of Employee's Stock that are not deemed vested under this subsection (g). The terms "vested" and "unvested" solely relate to the determination of the purchase price for Call Shares in the event of a Call by the Company due to the Company's termination of Employee's employment for Cause or Employee's resignation without Good Reason, and shall not be construed to limit any ownership, voting or other rights of Employee with respect to any Employee's Stock.

(h) CERTAIN POST-CALL PAYMENTS. If, at any time during the one-year period immediately following the Company's exercise of a Call pursuant to Section 5(c)(ii) (concerning a Call in the case of termination by the Company without Cause or resignation by Employee with Good Reason), any of the Company's common stock is issued or sold by the Company at a purchase price per share that exceeds the purchase price per share paid by the Company to Employee for the Call Shares, then the Company shall within three (3) business days after such issuance, sale or repurchase give Employee notice thereof along with a cash payment in the amount of such excess; provided, however, that such payment shall only be required if such

issuance or sale constitutes, or is made in connection with, (A) a Qualified Public Offering, (B) a Strategic Transaction (as defined in the Stockholders Agreement) or (C) an issuance or sale of common stock equal to twenty percent (20%) or more of the Company's issued and outstanding common stock immediately prior to such issuance or sale.

(i) QUALIFIED PUBLIC OFFERING. As used in this Section 5, "Qualified Public Offering" means the sale, in an underwritten public offering, registered under the Securities Act of 1933, of shares of the Company's common stock, (A) immediately after which the number of shares of common stock then publicly held constitute at least twenty percent (20%) of the outstanding shares of common stock, on a fully diluted basis, and (B) which results in cash proceeds to the Company and/or its shareholders which, when aggregated with any cash proceeds paid to the Company and/or its shareholders in connection with any prior underwritten registered public offerings of the Company's common stock, equals or exceeds twenty-five million dollars ($25,000,000).

(j) RESTRICTION ON PUT AND CALL RIGHTS. Notwithstanding any other provision of this Agreement, if it is not possible for the Company to pay, in accordance with paragraph (f) above, the required cash consideration for any shares of Employee's Stock with respect to which Employee or the Company has attempted to exercise a Put or Call, as the case may be, without such payment constituting a default or an event of default or causing a mandatory prepayment requirement under the terms of any agreement for indebtedness of the Company or any of its subsidiaries to which the Company or any of its subsidiaries is a party, then Employee or the Company shall not have the right to exercise such Put or Call, as the case may be, with respect to such shares; provided, however, that if there are any such shares in the event of a Put, then Employee or his estate shall have the right to sell or otherwise dispose of such shares to a third party (the "Third Party Buyer") upon such terms as may be agreed upon by Employee or his estate and the Third Party Buyer, subject to the following procedure:

(i) Employee or his estate shall give each Evercore Stockholder (as such term is defined in the Stockholders Agreement) and the Initial Founders (collectively, the "Associated Buyers") written notice (the "Sale Notice") setting forth the name of the Third Party Buyer, the terms (including a description of the cash or other type of consideration to be paid) agreed upon by Employee or his estate and the Third Party Buyer (the "Sale Terms"), the number of shares of Employee's Stock to be sold (the "Sale Shares"), and the purchase price per share agreed upon by Employee or his estate and the Third Party Buyer (the "Sale Price").

(ii) Within thirty (30) days after the Sale Notice, an Associated Buyer shall have the right, by giving Employee or his estate written notice (the "Exercise Notice") invoking its rights under this subsection 5(j), to purchase, for the Sale Price and in accordance with the Sale Terms, a number of the Sale Shares equal to (A) a fraction, the numerator of which is the number of shares of the Company's common stock then owned of record by such Associated Buyer and the denominator of which is the aggregate number of shares then owned of record by the Associated Buyers, multiplied by (B) the number of Sale Shares. Any Sale Shares that an Associated Buyer would be entitled to purchase under this subsection 5(j) but for which such Associated Buyer did not give an Exercise

Notice within such thirty (30)-day period may be purchased by the remaining Associated Buyers (by giving Employee or his estate supplemental written notice within thirty-five (35) days of the Sale Notice) in such proportion as each such Associated Buyer's then current record ownership of the Company's common stock bears to the aggregate record ownership of the Company's common stock by all such remaining Associated Buyers.

(iii) If the Associated Buyers elect to purchase all of the Sale Shares in accordance with this subsection 5(j), then such purchase shall be consummated at the Sale Price and upon the Sale Terms within sixty (60) days after the Sale Notice. If the Associated Buyers do not elect to purchase all of the Sale Shares in accordance with this subsection 5(j), then Employee or his estate may transfer the Sale Shares to the Third Party Buyer, provided such transfer is for the Sale Price and in accordance with the Sale Terms.

6. DEATH OR DISABILITY

(a) DEFINITION OF PERMANENTLY DISABLED AND PERMANENT DISABILITY. For purposes- of this Agreement, the terms "Permanently Disabled" and "Permanent Disability" shall mean Employee's inability, because of physical or mental illness or injury, to perform substantially all of his customary duties pursuant to this Agreement, and the continuation of such disabled condition for a period of ninety (90) continuous days, or for not less than one hundred eighty (180) days during any continuous twenty-four (24) month period. Whether Employee is Permanently Disabled shall be certified to the Company by a Qualified Physician (as hereinafter defined). The determination of the individual Qualified Physician shall be binding and conclusive for all purposes. As used herein, the term "Qualified Physician" shall mean any medical doctor who is licensed to practice medicine in the State of Employee's residence. Employee and the Company may in any instance, and in lieu of a determination by a Qualified Physician, agree between themselves that Employee is Permanently Disabled. The terms "Permanent Disability" and "Permanently Disabled" as used herein may have meanings different from those used in any disability insurance policy or program maintained by Employee or the Company.

(b) VESTING ON DEATH OR DISABILITY. Upon any termination of the Period of Employment and Employee's employment hereunder by reason of Employee's death or Permanent Disability, as defined in Section 6(a) ("Death or Disability - Definition of Permanently Disabled and Permanent Disability"), any remaining Unvested Employee's Stock shall thereupon automatically be deemed Vested Employee's Stock, notwithstanding any other provision of this Agreement.

(c) TERMINATION DUE TO DEATH OR DISABILITY. If Employee dies or becomes Permanently Disabled during the Period of Employment, the Period of Employment and Employee's employment shall automatically cease and terminate as of the date of Employee's death or the date of Permanent Disability (which date shall be determined by the Qualified Physician or by agreement, under Section 6(a) above, and referred to as the "Disability Date"), as the case may be. In the event of the termination of the Period of Employment and

Employee's employment hereunder due to Employee's death or Permanent Disability, Employee or his estate shall be entitled to receive:

(i) a lump sum cash payment, payable within ten (10) business days after termination of Employee's employment, equal to the sum of (x) any accrued but unpaid Base Salary as of the date of Employee's termination of employment hereunder and (y) any earned but unpaid annual incentive compensation in respect of the most recently completed fiscal year preceding Employee's termination of employment hereunder (the "Earned/Unpaid Annual Bonus"); and

(ii) a pro-rated portion of the target annual incentive compensation, if any, that Employee would have been entitled to receive pursuant to Section 3(b) in respect of the fiscal year in which termination of Employee's employment occurs, based upon the percentage of such fiscal year that shall have elapsed through the date of Employee's termination of employment, payable when such annual incentive would otherwise have been payable had Employee's employment not terminated; and

(iii) such employee benefits described in Sections 4(a), 4(b) and 4(c) ("Employee Benefits"), if any, as to which Employee may be entitled under the employee benefit plans and arrangements of the Company.

Notwithstanding any other provision of this Agreement, following such termination of Employee's employment due to Employee's death or Permanent Disability, except as set forth in Sections 6(b) and 6(c) and the Company's obligations under Section 5, and except for Employee's rights (if any) under the plans, arrangements and programs referenced in Sections 3(b), 3(c) and 4, Employee shall have no further rights to any compensation or other benefits under this Agreement.

In the event Employee's employment is terminated on account of Employee's Permanent Disability, he shall, so long as his Permanent Disability continues, remain eligible for all benefits provided under any long-term disability programs of the Company in effect at the time of such termination, subject to the terms and conditions of any such programs, as the same may be changed, modified, or terminated for or with respect to all senior management personnel of the Company.

7. TERMINATION BY THE COMPANY

(a) TERMINATION FOR CAUSE. The Company may, by providing written notice to Employee, terminate the Period of Employment and Employee's employment hereunder for Cause at any time. The term "Cause" for purpose of this Agreement shall mean:

(i) Employee's conviction of or entrance of a plea of guilty or nolo contendere to a felony; or

(ii) fraudulent conduct by Employee in connection with the business affairs of the Company; or

(iii) theft, embezzlement, or other criminal misappropriation of funds by Employee from the Company; or

(iv) Employee's continued and substantial failure to perform the duties hereunder (other than as a result of total or partial incapacity due to physical illness), which failure is not cured within thirty (30) days following written notice by the Company to Employee of such failure; provided, however, that (A) it shall not be Cause if Employee is making good faith efforts to perform duties and (B) this provision shall not apply to any qualitative dissatisfaction by the Company with Employee's performance of his duties hereunder; or

(v) Employee's continued breach of the provisions of Sections 12 and 13 of this Agreement, which breach is not cured within thirty (30) days following written notice by the Company to Employee of such breach.

If Employee's employment is terminated for Cause, the termination shall take effect on the effective date (pursuant to Section 24 ("Notices")) of written notice of such termination to Employee.

In the event of the termination of the Period of Employment and Employee's employment hereunder due to a termination by the Company for Cause, then Employee shall be entitled to receive: (i) a lump sum cash payment, payable within ten (10) business days after termination of Employee's employment equal to the sum of (A) accrued but unpaid Base Salary as of the date of termination of Employee's employment hereunder and (B) any Earned/Unpaid Annual Bonus in respect of the most recently completed fiscal year preceding termination of Employee's employment hereunder; and (ii) such Employee Benefits, if any, as to which Employee may be entitled under the employee benefit plans and arrangements of the Company.

Notwithstanding any other provision of this Agreement, following such termination of Employee's employment due to termination by the Company for Cause, except as set forth in this Section 7(a), and except for Employee's rights (if any) under the plans, arrangements and programs referenced in Sections 3(b), 3(c) and 4, Employee shall have no further rights to any compensation or other benefits under this Agreement.

If the Company attempts to terminate Employee's employment pursuant to this Section 7(a) and it is ultimately determined that the Company lacked Cause, the provisions of Section 7(b) ("Termination by the Company-Termination Without Cause") shall apply and, in addition to any other remedies that Employee may have, Employee shall be entitled to receive the payments called for by Section 7(b) ("Termination by the Company-Termination Without Cause") with interest on any past due payments at the rate of eight percent (8%) per year from the date on which the applicable payment would have been made pursuant to Section 7(b) ("Termination by the Company-Termination Without Cause") plus Employee's costs and expenses (including but not limited to reasonable attorneys' fees) incurred in connection with such dispute.

(b) TERMINATION WITHOUT CAUSE. The Company may, with or without reason, terminate the Period of Employment and Employee's employment hereunder without

Cause at any time, by providing Employee written notice of such termination. In the event of the termination of the Period of Employment and Employee's employment hereunder due to a termination by the Company without Cause (other than due to Employee's death or Permanent Disability), then Employee shall be entitled to receive:

(i) a lump sum cash payment, payable within ten (10) business days after termination of Employee's employment equal to the sum of (A) any accrued but unpaid Base Salary as of the date of Employee's termination of employment hereunder, (B) the Earned/Unpaid Annual Bonus, if any, (C) the target annual incentive compensation, if any, that Employee would have been entitled to receive pursuant to Section 3(b) in respect of the fiscal year in which termination of Employee's employment occurs and (D) an amount equal to the product of (x) the Employee's then current Base Salary times (y) the greater of (I) three (3) and (II) the number of years (including fractions thereof) remaining in the Period of Employment as of the date of Employee's termination of employment (determined without regard to Employee's termination of employment and without regard to any further extensions pursuant to Section 2).

(ii) such Employee Benefits, if any, as to which Employee may be entitled under the employee benefit plans and arrangements of the Company; and

(iii) continued participation in the Company's group health insurance plans at the Company's expense until the earlier of (A) the expiration of the three (3) years from the effective date of termination or (B) Employee's eligibility for participation in the group health plan of a subsequent employer or entity for which Employee provides consulting services;

provided, however, that the amount otherwise payable to Employee pursuant to Section 7(b)(i)(D) shall be reduced by the amount of any cash severance or termination benefits paid to Employee under any other severance plan, severance program or severance arrangement of the Company and its affiliates (but not reduced by any other payment to Employee whatsoever, including (without limitation) any payment by the Company or any affiliate of the Company in consideration of stock or any other property, whether pursuant to Section 5 of this Agreement or otherwise).

Notwithstanding any other provision of this Agreement, following such termination of Employee's employment due to termination by the Company without Cause, except as set forth in this Section 7(b) and the Company's obligations under Section 5, and except for Employee's rights (if any) under the plans, arrangements and programs referenced in Sections 3(b), 3(c) and 4, Employee shall have no further rights to any compensation or other benefits under this Agreement.

8. TERMINATION BY EMPLOYEE

(a) TERMINATION WITHOUT GOOD REASON. Employee shall have the right to terminate the Period of Employment and Employee's employment hereunder at any time without Good Reason (as defined below) upon thirty (30) days prior written notice of such termination to the Company. Any such termination by the Employee without Good Reason shall be treated for all purposes of this Agreement as a termination by the Company for Cause and the provisions of Section 7(a) shall apply.

(b) TERMINATION WITH GOOD REASON. The Employee may terminate the Period of Employment and resign from employment hereunder for "Good Reason":

(i) if the Company requires Employee to relocate his principal office to a location outside of Orange County, California, without Employee's consent; or

(ii) if the Company fails to provide Employee with the compensation and benefits called for by this Agreement; or

(iii) if the Company (A) assigns Employee to a position other than Chief Executive Officer reporting directly to the Board, or substantially diminishes Employee's assignment, duties, responsibilities, or operating authority from those specified in Section 1 ("Duties") or (B) employs any person other than Employee who (I) reports directly to the Board or (II) is not subordinate to Employee; or

(iv) for any reason during the twelve (12) month period following a Change of Control; or

(v) if the Company materially breaches any provision of this Agreement;

provided, however, that none of the events described in Subsection 8(b)(ii), 8(b)(iii) or 8(b)(v) shall constitute Good Reason unless Employee shall have notified the Company in writing describing the events which constitute Good Reason and then only if the Company shall have failed to cure such event within thirty (30) days after the Company's receipt of such written notice.

Any such termination by Employee for Good Reason shall be treated for all purposes of this Agreement as a termination by the Company without Cause and the provisions of Section 7(b) shall apply; provided, however, that if Employee attempts to resign for Good Reason pursuant to this Section 8(b) and it is ultimately determined that Good Reason did not exist, Employee shall be deemed to have resigned from employment without Good Reason and the provisions of Section 8(a) ("Termination Without Good Reason") and, by reference therein, the provisions of Section 7(a) ("Termination For Cause"), shall apply.

For purposes of this Agreement, a "Change of Control" shall be deemed to have occurred upon the occurrence of the following: Evercore Capital Partners L.P., directly or through its affiliates that are or have become parties to the Stockholders Agreement, ceases to

own at least fifty percent (50%) of the Company's Voting Securities after giving effect to Section 4.8(a) of the Stockholders Agreement, (i) as a result of or in connection with any transaction or event including (without limitation), (A) in connection with a merger or consolidation involving the Company or a subsidiary of the Company, or (B) the divestment by the Company or a subsidiary of the Company, by sale, liquidation, foreclosure or any other means, of all or substantially all of its assets or business as held or conducted as of the date hereof, but (ii) notwithstanding the foregoing clause (i), not solely as a result of a Qualified Public Offering. "Voting Securities" means securities of the Company entitled to vote in the election of the Company's directors.

9. EXPIRATION OF PERIOD OF EMPLOYMENT

(a) ELECTION NOT TO EXTEND PERIOD OF EMPLOYMENT. If either party elects not to extend the Period of Employment pursuant to Section 2, unless Employee's employment is earlier terminated pursuant to Sections 6, 7 or 8, termination of Employee's employment hereunder shall be deemed to occur on the close of business on the day immediately preceding the anniversary of the next Extension Date following the delivery of the Non-Extension Notice pursuant to Section 2. If the Company elects not to extend the Period of Employment, Employee's termination will be treated for all purposes under this Agreement as a termination by the Company without Cause under Section 7(b). If Employee elects not to extend the Period of Employment, Employee's termination will be treated for all purposes under this Agreement as a termination by Employee without Good Reason under Section 8(a).

(b) CONTINUED EMPLOYMENT BEYOND EXPIRATION OF PERIOD OF EMPLOYMENT. Unless the parties otherwise agree in writing, continuation of Employee's employment with the Company beyond expiration of the Period of Employment shall be deemed an employment at will and shall not be deemed to extend any of the provisions of this Agreement and Employee's employment may thereafter be terminated at will by either Employee or the Company; provided, however, that the provisions of Sections 12, 13 and 14 shall survive any termination of this Agreement or Employee's termination of employment hereunder.

10. GROSS-UP

Notwithstanding any other provision of this Agreement, if and to the extent any payment made under this Agreement, either alone or in conjunction with other payments Employee has the right to receive either directly or indirectly from the Company, would constitute an "excess parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended, then Employee shall be entitled to receive an excise tax gross-up payment not exceeding one million dollars ($1,000,000) in accordance with Appendix A.

11. MEANS AND EFFECT OF TERMINATION

Any termination of Employee's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. The notice of termination shall indicate the specific provision(s) of this Agreement relied upon in effecting the termination and shall set forth in reasonable detail the facts and circumstances alleged to provide a basis for termination, if any such basis is required by the applicable provision(s) of this Agreement.

12. NON-COMPETITION

Employee acknowledges and recognizes the highly competitive nature of the businesses of the Company and its affiliates and accordingly agrees as follows:

(a) During the Period of Employment and, for a period of two (2) years following the date Employee ceases to be employed by the Company for any reason (the "Restricted Period"), Employee will not, directly or indirectly, (i) engage in any business for Employee's own account that competes with the business of the Company or its affiliates (including, without limitation, businesses which the Company or its affiliates have specific plans to conduct in the future and as to which Employee is aware of such planning), (ii) enter the employ of, or render any services to, any person engaged in any business that competes with the business of the Company or its affiliates, (iii) acquire a financial interest in any person engaged in any business that competes with the business of the Company or its affiliates, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant, or (iv) interfere with business relationships (whether formed before or after the date of this Agreement) between the Company or any of its affiliates and customers, suppliers, partners, members or investors of the Company or its affiliates.

(b) Notwithstanding anything to the contrary in this Agreement, Employee may, directly or indirectly, own, solely as an investment, securities of any person engaged in the business of the Company or its affiliates which are publicly traded on a national or regional stock exchange or on an over-the-counter market if Employee (i) is not a controlling person of, or a member of a group which controls, such person and (ii) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such person.

(c) During the Restricted Period, Employee will not, directly or indirectly, (i) solicit or encourage any employee of the Company or its affiliates to leave the employment of the Company or its affiliates, or (ii) hire any such employee who was employed by the Company or its affiliates as of the date of Employee's termination of employment with the Company or who left the employment of the Company or its affiliates within one (1) year prior to or after the termination of Employee's employment with the Company.

(d) During the Restricted Period, Employee will not, directly or indirectly, solicit or encourage to cease to work with the Company or its affiliates any consultant then under contract with the Company or its affiliates.

(e) It is expressly understood and agreed that although Employee and the Company consider the restrictions contained in this Section 12 to be reasonable, if a final judicial

determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against Employee, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

13. CONFIDENTIALITY.

Employee will not at any time (whether during or after his employment with the Company), unless compelled by lawful process, disclose or use for his own benefit or purposes or the benefit or purposes of any other person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise other than the Company and any of its subsidiaries or affiliates, any trade secrets, or other confidential data or information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans, or the business and affairs of the Company generally, or of any subsidiary or affiliate of the Company; provided that the foregoing shall not apply to information which is not unique
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to the Company or which is generally known to the industry or the public other than as a result of Employee's breach of this covenant. Employee agrees that upon termination of his employment with the Company for any reason, he will return to the Company immediately all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, except that he may retain personal notes, notebooks and diaries that do not contain confidential information of the type described in the preceding sentence. Employee further agrees that he will not retain or use for his account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of the Company or its affiliates.

14. SPECIFIC PERFORMANCE

Employee acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 12 or Section 13 would be inadequate and, in recognition of this fact, Employee agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

15. ASSIGNMENT

This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that, in the event of a merger, consolidation, or transfer or sale of all or substantially all of the assets of the Company with or to any other individual(s) or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

16. GOVERNING LAW

This Agreement and the legal relations hereby created between the parties hereto shall be governed by and construed under and in accordance with the internal laws of the State of California, without regard to conflicts of laws principles thereof.

17. ENTIRE AGREEMENT

This Agreement embodies the entire agreement of the parties hereto respecting the matters within its scope. This Agreement supersedes all prior agreements of the parties hereto on the subject matter hereof. Any prior negotiations, correspondence, agreements, proposals, or understandings relating to the subject matter hereof shall be deemed to be merged into this Agreement and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as set forth herein.

18. MODIFICATIONS

This Agreement shall not be modified by any oral agreement, either express or implied, and all modifications hereof shall be in writing and signed by the parties hereto.

19. WAIVER

Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

20. NUMBER AND GENDER

Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

21. SECTION HEADINGS

The section headings in this Agreement are for the purpose of convenience only and shall not limit or otherwise affect any of the terms hereof.

22. ATTORNEYS' FEES

Employee and the Company agree that in any dispute resolution proceedings arising out of this Agreement, the prevailing party shall be entitled to its or his reasonable attorneys' fees and costs incurred by it or him in connection with resolution of the dispute in addition to any other relief granted.

23. SEVERABILITY

In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any statute or public policy, then only the portions of this Agreement which violate such statute or public policy shall be stricken, and all portions of this Agreement which do not violate any statute or public policy shall continue in full force and effect. Furthermore, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

24. NOTICES

All notices under this Agreement shall be in writing and shall be either personally delivered or mailed postage prepaid, by certified mail, return receipt requested:

(a) if to the Company:

RC Transaction Corp.
c/o Re:sources Connection LLC
3 Imperial Promenade, Suite 600
Santa Ana, California 92707-5902
Attn: Stephen J. Giusto

With copies to:

David A. Krinsky, Esq.
O'Melveny & Myers LLP
610 Newport Center Drive, Suite 1700
Newport Beach, California 92660

Mario A. Ponce, Esq.
Simpson Thacher & Bartlett
425 Lexington Avenue, 26th Floor
New York, New York 10017

Evercore Capital Partners, L.P.
65 East 55th Street
33rd Floor
New York, New York 10022
Attn: David G. Offensend

(b) if to Employee:

Donald B. Murray
RC Transaction Corp.
c/o Re:sources Connection LLC
3 Imperial Promenade, Suite 600
Santa Ana, California 92707-5902

With a copy to:

David A. Krinsky, Esq.
O'Melveny & Myers LLP
610 Newport Center Drive, Suite 1700
Newport Beach, California 92660

Notice shall be effective when personally delivered, or five (5) business days after being so mailed.

25. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

26. WITHHOLDING TAXES

The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company and Employee have executed this Employment Agreement as of the date first above written.

THE COMPANY:

By: /s/ Stephen Giusto

Name: Stephen Giusto

Title: CFO and Secretary

EMPLOYEE:

/s/ Donald B. Murray

Donald B. Murray

APPENDIX A

(Gross-Up Provisions)

(a) In the event it is determined (pursuant to (b) below) or finally determined (as defined in (c)(iii) below) that any payment, distribution, transfer, benefit or other event with respect to the Company or a successor, direct or indirect subsidiary or affiliate of the Company (or any successor of affiliate of any of them, and including any benefit plan of any of them), and arising in connection with an event described in Section 280G(b)(2)(A)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), occurring after the Effective Date, to or for the benefit Employee or Employee's dependents, heirs or beneficiaries (whether such payment, distribution, transfer, benefit or other event occurs pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Appendix A) (each a "Payment" and collectively the "Payments") is or was subject to the excise tax imposed by Section 4999 of the Code, and any successor provision or any comparable provision of state or local income tax law (collectively, "Section 4999"), or any interest, penalty or addition to tax is or was incurred by Employee with respect to such excise tax (such excise tax, together with any such interest, penalty, addition to tax, and costs (including professional fees)) hereinafter collectively referred to as the "Excise Tax"), then, within 10 days after such determination or final determination, as the case may be, the Company shall pay to Employee (or to the applicable taxing authority on Employee's behalf) an additional cash payment (hereinafter referred to as the "Gross-Up Payment") equal to the lesser of (i) $1,000,000 or (ii) an amount such that after payment by Employee of all taxes, interest, penalties, additions to tax and costs imposed or incurred with respect to the Gross-Up Payment (including, without limitation, any income and excise taxes imposed upon the Gross-Up Payment), Employee retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon such Payment or Payments. Subject to the limitations in clause (i) of the preceding sentence, this provision is intended to put Employee in the same position as Employee would have been had no Excise Tax been imposed upon or incurred as a result of any Payment.

(b) Except as provided in subsection (c) below, the determination that a Payment is subject to an Excise Tax shall be made in writing by a certified public accounting firm selected by Employee ("Employee's Accountant"). Such determination shall include the amount of the Gross-Up Payment and detailed computations thereof, including any assumptions used in such computations (the written determination of the Employee's Accountant, hereinafter, the "Employee's Determination"). The Employee's Determination shall be reviewed on behalf of the Company by a certified public accounting firm selected by the Company (the "Company's Accountant"). The Company shall notify Employee within 10 business days after receipt of the Employee's Determination of any disagreement or dispute therewith, and failure to so notify within that period shall be considered an agreement by the Company to make payment as provided in subsection (a) above within 10 days from the expiration of such 10 business-day period. In the event of an objection by the Company to the Employee's Determination, any amount not in dispute shall be paid within 10 days following the 10 business-day period referred to herein, and with respect to the amount in dispute the Employee's Accountant and the Company's Accountant shall jointly select a third nationally recognized certified public accounting firm to resolve the dispute and the decision of such third firm shall be final, binding and conclusive upon the Employee and the Company. In such a case, the third accounting firm's

findings shall be deemed the binding determination with respect to the amount in dispute, obligating the Company to make any payment as a result thereof within 10 days following the receipt of such third accounting firm's determination. All fees and expenses of each of the accounting firms referred to in this Appendix A shall be borne solely by the Company.

(c) (i) Employee shall notify the Company in writing of any claim by the Internal Revenue Service (or any successor thereof) or any state or local taxing authority (individually or collectively, the "Taxing Authority") that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 30 days after Employee receives written notice of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid; provided, however, that failure by Employee to give such notice within such 30-day period shall not result in a waiver or forfeiture of any of Employee's rights under Section 10 and this Appendix A except to the extent of actual damages suffered by the Company as a result of such failure. Employee shall not pay such claim prior to the expiration of the 15-day period following the date on which Employee gives such notice to the Company (or such shorter period ending on the date that any payment of taxes, interest, penalties or additions to tax with respect to such claim is due). If the Company notifies Employee in writing prior to the expiration of such 15-day period (regardless of whether such claim was earlier paid as contemplated by the preceding parenthetical) that it desires to contest such claim (and demonstrates to the reasonable satisfaction of Employee its ability to make the payments to Employee which may ultimately be required under this section before assuming responsibility for the claim), Employee shall:

(A) give the Company any information reasonably requested by the Company relating to such claim;

(B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Company that is reasonably acceptable to Employee;

(C) cooperate with the Company in good faith in order effectively to contest such claim; and

(D) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all attorneys fees, costs and expenses (including additional interest, penalties and additions to tax) incurred in connection with such contest and shall indemnify and hold Employee harmless, on an after-tax basis, for all taxes (including, without limitation, income and excise taxes), interest, penalties and additions to tax imposed in relation to such claim and in relation to the payment of such costs and expenses or indemnification. Without limitation on the foregoing provisions of this Appendix A, and to the extent its actions do not unreasonably interfere with or prejudice Employee's disputes with the Taxing Authority as to other issues, the Company shall control all proceedings taken in

connection with such contest and, in its reasonable discretion, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the Taxing Authority in respect of such claim and may, at its sole option, either direct Employee to pay the tax, interest or penalties claimed and sue for a refund or contest the claim in any permissible manner, and Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Employee to pay such claim and sue for a refund, the Company shall advance an amount equal to such payment to Employee, on an interest-free basis, and shall indemnify and hold Employee harmless, on an after-tax basis, from all taxes (including, without limitation, income and excise taxes), interest, penalties and additions to tax imposed with respect to such advance or with respect to any imputed income with respect to such advance, as any such amounts are incurred; and, further, provided, that any extension of the statute of limitations relating to payment of taxes, interest, penalties or additions to tax for the taxable year of Employee with respect to which such contested amount is claimed to be due is limited solely to such contested amount; and, provided, further, that any settlement of any claim shall be reasonably acceptable to Employee and the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and Employee shall be entitled to settle or contest, as the case may be, any other issue.

(ii) If, after receipt by Employee of an amount advanced by the Company pursuant to paragraph (c)(i), Employee receives any refund with respect to such claim, Employee shall (subject to the Company's complying with the requirements of this Appendix A) promptly pay to the Company an amount equal to such refund (together with any interest paid or credited thereof after taxes applicable thereto), net of any taxes (including, without limitation, any income or excise taxes), interest, penalties or additions to tax and any other costs incurred by Employee in connection with such advance, after giving effect to such repayment. If, after the receipt by Employee of an amount advanced by the Company pursuant to paragraph (c)(i), it is finally determined that Employee is not entitled to any refund with respect to such claim, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall be treated as a Gross-Up Payment and shall offset, to the extent thereof, the amount of any Gross-Up Payment otherwise required to be paid.

(iii) For purposes of this Appendix A, whether the Excise Tax is applicable to a Payment shall be deemed to be "finally determined" upon the earliest of: (A) the expiration of the 15-day period referred to in paragraph (c)(i) above if the Company has not notified Employee that it intends to contest the underlying claim, (B) the expiration of any period following which no right of appeal exists, (C) the date upon which a closing agreement or similar agreement with respect to the claim is executed by Employee and the Taxing Authority

(which agreement may be executed only in compliance with this Appendix A), (D) the receipt by Employee of notice from the Company that it no longer seeks to pursue a contest (which shall be deemed received if the Company does not, within 15 days following receipt of a written inquiry from Employee, affirmatively indicate in writing to Employee that the Company intends to continue to pursue such contest).

(d) As a result of uncertainty in the application of Section 4999 that may exist at the time of any determination that a Gross-Up Payment is due, it may be possible that in making the calculations required to be made hereunder, the parties or their accountants shall determine that a Gross-Up Payment need not be made (or shall make no determination with respect to a Gross-Up Payment) that properly should be made ("Underpayment"), or that a Gross-Up Payment not properly needed to be made should be made ("Overpayment"). The determination of any Underpayment shall be made using the procedures set forth in paragraph (b) above and shall be paid to Employee as an additional Gross-Up Payment. The Company shall be entitled to use procedures similar to those available to Employee in paragraph (b) to determine the amount of any Overpayment (provided that the Company shall bear all costs of the accountants as provided in paragraph (b)). In the event of a determination that an Overpayment was made, any such Overpayment shall be treated for all purposes as a loan to Employee with interest at the applicable Federal rate provided for in Section 1274(d) of the Code; provided, however, that the amount to be repaid by Employee to the Company shall be subject to reduction to the extent necessary to put Employee in the same after-tax position as if such Overpayment were never made.

EXHIBIT 10.4

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made as of April 1, 1999, between Stephen J. Giusto ("Employee") and RC Transaction Corp. (the "Company").

RECITALS

The Company desires to establish its right to the services of Employee in the capacities described below, on the terms and conditions hereinafter set forth, and Employee is willing to accept such employment on such terms and conditions.

AGREEMENT

The parties agree as follows:

1. DUTIES

(a) The Company does hereby hire, engage, and employ Employee as the Chief Financial Officer and Executive Vice President of Corporate Development of the Company, and Employee does hereby accept and agree to such hiring, engagement, and employment. During the Period of Employment (as defined in Section 2), Employee shall serve the Company in such positions fully, diligently, competently, and in conformity with the provisions of this Agreement, directives of the Chief Executive Officer of the Company, and the corporate policies of the Company as they presently exist, and as such policies may be amended, modified, changed, or adopted during the Period of Employment, and Employee shall have duties and authority consistent with Employee's positions as Chief Financial Officer and Executive Vice President of Corporate Development. If requested by the Company, Employee shall also serve as a member of the Board and Board committees without additional compensation.

(b) Throughout the Period of Employment, Employee shall devote his full time, energy, and skill to the performance of his duties for the Company, vacations and other leave authorized under this Agreement excepted. The foregoing notwithstanding, Employee shall be permitted to (i) engage in charitable and community affairs, (ii) act as a director of any corporations or organizations outside the Company, not to exceed five (5) in number, and receive compensation therefor, and (iii) to make investments of any character in any business or businesses and to manage such investments (but not be involved in the day-to-day operations of any such business); provided, in each case, and in the aggregate, that such activities do not interfere with the performance of Employee's duties hereunder or conflict with the provisions of Sections 12 and 13.

(c) Employee shall exercise due diligence and care in the performance of his duties for and the fulfillment of his obligations to the Company under this Agreement.

(d) During the Period of Employment, the Company shall furnish Employee with office, secretarial and other facilities and services as are reasonably necessary or appropriate for

the performance of Employee's duties hereunder and consistent with his positions as the Chief Financial Officer and Executive Vice President of Corporate Development of the Company.

(e) Employee hereby represents to the Company that the execution and delivery of this Agreement by Employee and the Company and the performance by Employee of Employee's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment or other agreement or policy to which Employee is a party or otherwise bound.

2. PERIOD OF EMPLOYMENT

The "Period of Employment" shall, unless sooner terminated as provided herein, be three (3) years commencing on April 1, 1999 (the "Effective Date") and ending with the close of business on March 31, 2002. Notwithstanding the preceding sentence, commencing with April 1, 2002 and on each April 1 thereafter (each an "Extension Date"), the Period of Employment shall be automatically extended for an additional one (1)-year period, unless the Company or Employee provides the other party hereto sixty (60) days' prior written notice before the next scheduled Extension Date that the Period of Employment shall not be so extended (the "Non-Extension Notice"). The term "Period of Employment" shall include any extension that becomes applicable pursuant to the preceding sentence.

3. COMPENSATION

(a) BASE SALARY. During the Period of Employment, the Company shall pay Employee, and Employee agrees to accept from the Company, in payment for his services, a base salary of two hundred fifty thousand dollars ($250,000) per year ("Base Salary"), payable in equal bi-weekly installments or at such other time or times as Employee and the Company shall agree. The Chief Executive Officer shall consider not less frequently than annually upward adjustment to Employee's Base Salary. The determination of whether Employee's Base Salary will be upwardly adjusted is within the sole and absolute discretion of the Chief Executive Officer except as otherwise provided in the Stockholders Agreement (as defined below). The Chief Executive Officer at any time or times may, but shall have no obligation to, supplement Employee's salary by such bonuses and/or other special payments and benefits as the Company in its sole and absolute discretion may determine.

(b) ANNUAL INCENTIVE COMPENSATION. During the Period of Employment, Employee shall be entitled to participate in any annual incentive or bonus plan or plans maintained by the Company for senior management employees of the Company generally, in accordance with the terms, conditions, and provisions of each such plan as the same may be changed, amended, or terminated, from time to time.

(c) EQUITY COMPENSATION. During the Period of Employment, Employee shall be entitled to participate in any equity-based plan or arrangement, including, but not limited to, stock options, stock appreciation rights, restricted stock, or other equity incentive plans or arrangements maintained by the Company for senior management employees of the Company generally, in accordance with the terms, conditions, and provisions of each such plan or arrangement as the same may be changed, amended, or terminated, from time to time.

4. BENEFITS

(a) HEALTH AND WELFARE. During the Period of Employment, Employee shall be entitled to participate in all health and welfare benefit plans and programs and all retirement, deferred compensation and similar plans and programs generally available to all other senior management employees of the Company or to all employees of the Company as in effect from time to time, subject to any restrictions specified in such plans and programs.

(b) FRINGE BENEFITS. During the Period of Employment, Employee shall be entitled to participate in all fringe benefit plans and programs generally available to all other senior management employees of the Company or to all employees of the Company as in effect from time to time, subject to any restrictions specified in such plans and programs.

(c) VACATION AND OTHER LEAVE. Employee shall be entitled to such amounts of paid vacation and other leave, but not less than four (4) weeks vacation per twelve-month period of employment, as from time to time may be allowed to the Company's senior management personnel generally, with such vacation to be scheduled and taken in accordance with the Company's standard vacation policies applicable to such personnel.

(d) BUSINESS EXPENSES. During the Period of Employment, reasonable business expenses incurred by Employee in the performance of Employee's duties hereunder shall be reimbursed by the Company in accordance with the Company's business expense reimbursement policies as in effect from time to time.

(e) AUTOMOBILE. To the extent provided to other senior officers or executives of the Company, during the Period of Employment, Employee shall be entitled to receive an automobile allowance or a leased automobile and reimbursement for expenses associated with the operation and maintenance of such automobile. The Company will reimburse Employee upon presentation of vouchers and documentation for any such operational and maintenance expenses which are consistent with the usual accounting procedures of the Company.

5. PUT AND CALL RIGHTS.

(a) EMPLOYEE'S STOCK. At any time, this Section 5 shall apply to all shares of the Company's common stock, par value one cent ($.01) per share, owned by Employee at that time ("Employee's Stock"). As of the date hereof, forty thousand (40,000) shares of Employee's Stock ("Employee's Restricted Stock") consist of shares of the Company's common stock that were issued pursuant to the Company's 1998 Employee Stock Purchase Plan (the "Stock Purchase Plan") and the Restricted Stock Agreement between Employee and the Company dated December 14, 1998 (the "Restricted Stock Agreement"). The provisions of this Section 5 apply to Employee's Stock, including Employee's Restricted Stock, notwithstanding any provisions of the Stock Purchase Plan or the Restricted Stock Agreement to the contrary; provided, however, that the Stock Purchase Plan and the Restricted Stock Agreement shall otherwise continue in full force and effect with respect to the Employee's Restricted Stock to the extent not inconsistent with the express language of this Section 5.

(b) EMPLOYEE'S PUT RIGHT. If Employee's employment with the Company ends due to termination by the Company without Cause or resignation by Employee with Good

Reason prior to a Qualified Public Offering, then Employee may cause the Company to purchase all or part of Employee's Stock (a "Put"), for a purchase price equal to Fair Market Value, by giving the Company notice (the "Put Notice") at any time within one-hundred eighty (180) days after such end of employment. The Put Notice shall state the number of shares of Employee's Stock with respect to which he is exercising a Put (the "Put Shares") and the Fair Market Value thereof in Employee's good faith opinion.

(c) COMPANY'S CALL RIGHT. If Employee's employment with the Company ends due to termination by the Company or resignation by Employee prior to a Qualified Public Offering, then the Company may purchase (i) in the case of termination by the Company for Cause or Employee's resignation without Good Reason, all or part of Employee's Stock, for a purchase price equal to (A) the lesser of Fair Market Value or ten dollars ($10.00) per share with respect to Unvested Employee's Stock and (B) Fair Market Value with respect to Vested Employee's Stock; or (ii) in the case of termination by the Company without Cause or Employee's resignation with Good Reason, all or part of Employee's Stock, for consideration equal to Fair Market Value; in each case (a "Call") by giving Employee notice (a "Call Notice") at any time within one-hundred eighty (180) days after such termination or resignation. The Call Notice shall state the number of shares of Employee's Stock with respect to which the Company is exercising a Call (the "Call Shares") and the Fair Market Value thereof in the Company's good faith opinion.

(d) PUT AND CALL RIGHTS UPON DEATH OR DISABILITY. Upon any termination of the Period of Employment and Employee's employment hereunder by reason of Employee's death or Permanent Disability, Employee or his estate shall have a Put right to cause the Company to purchase, and the Company shall have a Call right to purchase from Employee or his estate, all or part of such shares of Employee's Stock that have not been purchased by the Company or the Initial Founders (as defined in the Stockholders Agreement dated as of the date hereof, among the Company, Employee and certain other stockholders of the Company (the "Stockholders Agreement")) pursuant to Section 3.3 of the Stockholders Agreement, for consideration equal to Fair Market Value, in each case by giving notice to the other party invoking this paragraph (d) (which notice shall be considered a Put Notice or Call Notice, as the case may be, for the purposes of this Agreement) within thirty (30) days after the date of the Transfer Notice (as defined in the Stockholders Agreement).

(e) FAIR MARKET VALUE. "Fair Market Value" means the fair market value, without minority discount, per share of the Company's common stock on the date of the Put Notice or the Call Notice, as the case may be, determined as follows: (i) first, Employee and the Company shall attempt in good faith to agree promptly upon the Fair Market Value; (ii) second, if Employee and the Company do not agree upon the Fair Market Value within ten (10) days after the Put Notice or the Call Notice, as the case may be, then Employee and the Company shall agree upon an independent appraiser to determine the Fair Market Value; and (iii) third, if Employee and the Company do not agree upon an independent appraiser within twenty (20) days after the Put Notice or the Call Notice, as the case may be, then Employee and the Company each shall promptly appoint one independent appraiser, and such appraisers shall promptly appoint a third independent appraiser, whereupon such third independent appraiser shall promptly make its independent determination of the fair market value of the Company's Common Stock, which determination shall be deemed the Fair Market Value; provided,

however, that if the Company's common stock is listed and actively trading on the New York Stock Exchange, the American Stock Exchange or the National Market System of the Nasdaq Stock Market, then the Fair Market Value shall equal the average closing price of the Company's common stock on such market during the twenty (20) trading days prior to the date of the Put Notice or the Call Notice, as the case may be. The fees of any appraiser pursuant to subsection (e)(ii) shall be borne by the Company. The fees of each appraiser appointed by a party pursuant to subsection (e)(iii) shall be borne by the party that appointed such appraiser, and the fees of the third appraiser pursuant to subsection (e)(iii) shall be borne by the Company.

(f) PURCHASE. The closing of a Put or a Call, as the case may be, shall take place no later than fifteen (15) days after the determination of Fair Market Value under subsection (e) above (the "Closing"). At the Closing, the Company shall purchase from Employee, and Employee shall sell to the Company, the Put Shares or the Call Shares, as the case may be, and the Company shall pay to Employee in cash the purchase price specified above.

(g) VESTING OF EMPLOYEE'S STOCK. Employee's Stock shall be deemed to be vested ("Vested Employee's Stock") as follows: (i) one-third (1/3) of the shares of Employee's Stock owned by Employee as of the date hereof shall be deemed vested as of the date hereof; (ii) an additional one-sixth (1/6) of the shares of Employee's Stock owned by Employee as of the date hereof shall be deemed vested as of each of the next four anniversaries of the date of this Agreement; and (iii) all shares of Employee's Stock acquired by Employee after the date hereof shall thereupon be deemed fully vested for all purposes of this Agreement (unless such shares are restricted stock acquired under the Restricted Stock Plan or any similar plan, in which case such shares shall be subject to the vesting and other terms and conditions of the Restricted Stock Plan or other such plan, notwithstanding this clause (iii)). "Unvested Employee's Stock" means such shares of Employee's Stock that are not deemed vested under this subsection (g). The terms "vested" and "unvested" solely relate to the determination of the purchase price for Call Shares in the event of a Call by the Company due to the Company's termination of Employee's employment for Cause or Employee's resignation without Good Reason, and shall not be construed to limit any ownership, voting or other rights of Employee with respect to any Employee's Stock.

(h) QUALIFIED PUBLIC OFFERING. As used in this Section 5, "Qualified Public Offering" means the sale, in an underwritten public offering, registered under the Securities Act of 1933, of shares of the Company's common stock, (A) immediately after which the number of shares of common stock then publicly held constitute at least twenty percent (20%) of the outstanding shares of common stock, on a fully diluted basis, and (B) which results in cash proceeds to the Company and/or its shareholders which, when aggregated with any cash proceeds paid to the Company and/or its shareholders in connection with any prior underwritten registered public offerings of the Company's common stock, equals or exceeds twenty-five million dollars ($25,000,000).

(i) RESTRICTION ON PUT AND CALL RIGHTS. Notwithstanding any other provision of this Agreement, if it is not possible for the Company to pay, in accordance with paragraph (f) above, the required cash consideration for any shares of Employee's Stock with respect to which Employee or the Company has attempted to exercise a Put or Call, as the case may be, without such payment constituting a default or an event of default or causing a

mandatory prepayment requirement under the terms of any agreement for indebtedness of the Company or any of its subsidiaries to which the Company or any of its subsidiaries is a party, then Employee or the Company shall not have the right to exercise such Put or Call, as the case may be, with respect to such shares; provided, however, that if there are any such shares in the event of a Put, then Employee or his estate shall have the right to sell or otherwise dispose of such shares to a third party (the "Third Party Buyer") upon such terms as may be agreed upon by Employee or his estate and the Third Party Buyer, subject to the following procedure:

(i) Employee or his estate shall give each Evercore Stockholder (as such term is defined in the Stockholders Agreement) and the Initial Founders (collectively, the "Associated Buyers") written notice (the "Sale Notice") setting forth the name of the Third Party Buyer, the terms (including a description of the cash or other type of consideration to be paid) agreed upon by Employee or his estate and the Third Party Buyer (the "Sale Terms"), the number of shares of Employee's Stock to be sold (the "Sale Shares"), and the purchase price per share agreed upon by Employee or his estate and the Third Party Buyer (the "Sale Price").

(ii) Within thirty (30) days after the Sale Notice, an Associated Buyer shall have the right, by giving Employee or his estate written notice (the "Exercise Notice") invoking its rights under this subsection 5(j), to purchase, for the Sale Price and in accordance with the Sale Terms, a number of the Sale Shares equal to (A) a fraction, the numerator of which is the number of shares of the Company's common stock then owned of record by such Associated Buyer and the denominator of which is the aggregate number of shares then owned of record by the Associated Buyers, multiplied by (B) the number of Sale Shares. Any Sale Shares that an Associated Buyer would be entitled to purchase under this subsection 5(j) but for which such Associated Buyer did not give an Exercise Notice within such thirty (30)-day period may be purchased by the remaining Associated Buyers (by giving Employee or his estate supplemental written notice within thirty-five (35) days of the Sale Notice) in such proportion as each such Associated Buyer's then current record ownership of the Company's common stock bears to the aggregate record ownership of the Company's common stock by all such remaining Associated Buyers.

(iii) If the Associated Buyers elect to purchase all of the Sale Shares in accordance with this subsection 5(j), then such purchase shall be consummated at the Sale Price and upon the Sale Terms within sixty (60) days after the Sale Notice. If the Associated Buyers do not elect to purchase all of the Sale Shares in accordance with this subsection 5(j), then Employee or his estate may transfer the Sale Shares to the Third Party Buyer, provided such transfer is for the Sale Price and in accordance with the Sale Terms.

6. DEATH OR DISABILITY

(a) DEFINITION OF PERMANENTLY DISABLED AND PERMANENT DISABILITY. For purposes of this Agreement, the terms "Permanently Disabled" and "Permanent Disability" shall mean Employee's inability, because of physical or mental illness

or injury, to perform substantially all of his customary duties pursuant to this Agreement, and the continuation of such disabled condition for a period of ninety (90) continuous days, or for not less than one hundred eighty (180) days during any continuous twenty-four (24) month period. Whether Employee is Permanently Disabled shall be certified to the Company by a Qualified Physician (as hereinafter defined). The determination of the individual Qualified Physician shall be binding and conclusive for all purposes. As used herein, the term "Qualified Physician" shall mean any medical doctor who is licensed to practice medicine in the state of Employee's residence. Employee and the Company may in any instance, and in lieu of a determination by a Qualified Physician, agree between themselves that Employee is Permanently Disabled. The terms "Permanent Disability" and "Permanently Disabled" as used herein may have meanings different from those used in any disability insurance policy or program maintained by Employee or the Company, and meanings different from the definitions under any federal, state or local statutes, regulations and/or laws.

(b) VESTING ON DEATH OR DISABILITY. Upon any termination of the Period of Employment and Employee's employment hereunder by reason of Employee's death or Permanent Disability, as defined in Section 6(a) ("Death or Disability - Definition of Permanently Disabled and Permanent Disability"), any remaining Unvested Employee's Stock shall thereupon automatically be deemed Vested Employee's Stock, notwithstanding any other provision of this Agreement.

(c) TERMINATION DUE TO DEATH OR DISABILITY. If Employee dies or becomes Permanently Disabled during the Period of Employment, the Period of Employment and Employee's employment shall automatically cease and terminate as of the date of Employee's death or the date of Permanent Disability (which date shall be determined by the Qualified Physician or by agreement, under Section 6(a) above, and referred to as the "Disability Date"), as the case may be. In the event of the termination of the Period of Employment and Employee's employment hereunder due to Employee's death or Permanent Disability, Employee or his estate shall be entitled to receive:

(i) a lump sum cash payment, payable within ten (10) business days after termination of Employee's employment, equal to the sum of (x) any accrued but unpaid Base Salary as of the date of Employee's termination of employment hereunder and (y) any earned but unpaid annual incentive compensation in respect of the most recently completed fiscal year preceding Employee's termination of employment hereunder (the "Earned/Unpaid Annual Bonus"); and

(ii) a pro-rated portion of the target annual incentive compensation, if any, that Employee would have been entitled to receive pursuant to Section 3(b) in respect of the fiscal year in which termination of Employee's employment occurs, based upon the percentage of such fiscal year that shall have elapsed through the date of Employee's termination of employment, payable when such annual incentive would otherwise have been payable had Employee's employment not terminated; and

(iii) such employee benefits described in Sections 4(a), 4(b) and 4(c) ("Employee Benefits"), if any, as to which Employee may be entitled under the employee benefit plans and arrangements of the Company.

Notwithstanding any other provision of this Agreement, following such termination of Employee's employment due to Employee's death or Permanent Disability, except as set forth in Sections 6(b) and 6(c) and the Company's obligations under Section 5, and except for Employee's rights (if any) under the plans, arrangements and programs referenced in Sections 3(b), 3(c) and 4, Employee shall have no further rights to any compensation or other benefits under this Agreement.

In the event Employee's employment is terminated on account of Employee's Permanent Disability, he shall, so long as his Permanent Disability continues, remain eligible for all benefits provided under any long-term disability programs of the Company in effect at the time of such termination, subject to the terms and conditions of any such programs, as the same may be changed, modified, or terminated for or with respect to all senior management personnel of the Company.

7. TERMINATION BY THE COMPANY

(a) TERMINATION FOR CAUSE. The Company may, by providing written notice to Employee, terminate the Period of Employment and Employee's employment hereunder for Cause at any time. The term "Cause" for purpose of this Agreement shall mean:

(i) Employee's conviction of or entrance of a plea of guilty or nolo contendere to a felony; or

(ii) fraudulent conduct by Employee in connection with the business affairs of the Company; or

(iii) theft, embezzlement, or other criminal misappropriation of funds by Employee from the Company; or

(iv) Employee's continued and substantial failure to perform the duties hereunder (other than as a result of total or partial incapacity due to physical illness), which failure is not cured within thirty (30) days following written notice by the Company to Employee of such failure; provided, however, that (A) it shall not be Cause if Employee is making good faith efforts to perform duties and (B) this provision shall not apply to any qualitative dissatisfaction by the Company with Employee's performance of his duties hereunder; or

(v) Employee's continued breach of the provisions of Sections 12 and 13 of this Agreement, which breach is not cured within thirty (30) days following written notice by the Company to Employee of such breach.

If Employee's employment is terminated for Cause, the termination shall take effect on the effective date (pursuant to Section 24 ("Notices")) of written notice of such termination to Employee.

In the event of the termination of the Period of Employment and Employee's employment hereunder due to a termination by the Company for Cause, then Employee shall be

entitled to receive: (i) a lump sum cash payment, payable within ten (10) business days after termination of Employee's employment equal to the sum of (A) accrued but unpaid Base Salary as of the date of termination of Employee's employment hereunder and (B) any Earned/Unpaid Annual Bonus in respect of the most recently completed fiscal year preceding termination of Employee's employment hereunder; and (ii) such Employee Benefits, if any, as to which Employee may be entitled under the employee benefit plans and arrangements of the Company.

Notwithstanding any other provision of this Agreement, following such termination of Employee's employment due to termination by the Company for Cause, except as set forth in this Section 7(a), and except for Employee's rights (if any) under the plans, arrangements and programs referenced in Sections 3(b), 3(c) and 4, Employee shall have no further rights to any compensation or other benefits under this Agreement.

If the Company attempts to terminate Employee's employment pursuant to this Section 7(a) and it is ultimately determined that the Company lacked Cause, the provisions of Section 7(b) ("Termination by the Company-Termination Without Cause") shall apply and, in addition to any other remedies that Employee may have, Employee shall be entitled to receive the payments called for by Section 7(b) ("Termination by the Company-Termination Without Cause") with interest on any past due payments at the rate of eight percent (8%) per year from the date on which the applicable payment would have been made pursuant to Section 7(b) plus Employee's costs and expenses (including but not limited to reasonable attorneys' fees) incurred in connection with such dispute.

(b) TERMINATION WITHOUT CAUSE. The Company may, with or without reason,
terminate the Period of Employment and Employee's employment hereunder without Cause at any time, by providing Employee written notice of such termination. In the event of the termination of the Period of Employment and Employee's employment hereunder due to a termination by the Company without Cause (other than due to Employee's death or Permanent Disability), then Employee shall be entitled to receive:

(i) a lump sum cash payment equal to the sum of (A) any accrued but unpaid Base Salary as of the date of Employee's termination of employment hereunder, (B) the Earned/Unpaid Annual Bonus, if any, (C) the target annual incentive compensation, if any, that Employee would have been entitled to receive pursuant to Section 3(b) in respect of the fiscal year in which termination of Employee's employment occurs and (D) an amount equal to the product of (x) the Employee's then current Base Salary times (y) the greater of
(I) two (2) or (II) the number of years (including fractions thereof) remaining in the Period of Employment as of the date of Employee's termination of employment (determined without regard to Employee's termination of employment and without regard to any further extensions pursuant to Section 2). The lump sum cash payment shall be made in two installments with fifty percent (50%) of the lump sum payable within ten (10) business days after termination of Employee's employment and, provided Employee is in compliance with Section 12 of the Agreement ("Non-Competition"), fifty percent (50%) plus interest at a rate of eight percent (8%) per year from the date of Employee's termination of employment payable one (1) year after the date of Employee's termination of employment;

(ii) such Employee Benefits, if any, as to which Employee may be entitled under the employee benefit plans and arrangements of the Company; and

(iii) continued participation in the Company's group health insurance plans at the Company's expense until the earlier of (A) the expiration of the two (2) years from the effective date of termination or (B) Employee's eligibility for participation in the group health plan of a subsequent employer or entity for which Employee provides consulting services;

provided, however, that the amount otherwise payable to Employee pursuant to Section 7(b)(i)(D) shall be reduced by the amount of any cash severance or termination benefits paid to Employee under any other severance plan, severance program or severance arrangement of the Company and its affiliates (but not reduced by any other payment to Employee whatsoever, including (without limitation) any payment by the Company or any affiliate of the Company in consideration of stock or any other property, whether pursuant to Section 5 of this Agreement or otherwise).

Notwithstanding any other provision of this Agreement, following such termination of Employee's employment due to termination by the Company without Cause, except as set forth in this Section 7(b) and the Company's obligations under Section 5, and except for Employee's rights (if any) under the plans, arrangements and programs referenced in Sections 3(b), 3(c) and 4, Employee shall have no further rights to any compensation or other benefits under this Agreement.

8. TERMINATION BY EMPLOYEE

(a) TERMINATION WITHOUT GOOD REASON. Employee shall have the right to terminate the Period of Employment and Employee's employment hereunder at any time without Good Reason (as defined below) upon thirty (30) days prior written notice of such termination to the Company. Any such termination by the Employee without Good Reason shall be treated for all purposes of this Agreement as a termination by the Company for Cause and the provisions of Section 7(a) shall apply.

(b) TERMINATION WITH GOOD REASON. The Employee may terminate the Period of Employment and resign from employment hereunder for "Good Reason":

(i) if the Company requires Employee to relocate his principal office to a location outside of Orange County, California, without Employee's consent; or

(ii) if the Company fails to provide Employee with the compensation and benefits called for by this Agreement; or

(iii) if the Company substantially diminishes Employee's assignment, duties, responsibilities, operating authority or reporting relationship to the Chief Executive Officer from those specified in Section 1 ("Duties"); or

(iv) for any reason following a Change of Control, provided, however, that Employee remains employed by the Company for the six (6) months

following a Change of Control and notifies the Company in writing (pursuant to Section 24 ("Notices")) within thirty (30) days after the expiration of the six-month period following the Change of Control of his decision to terminate his employment. In such case, Employee's employment will terminate thirty (30) days after giving said notice; or

(v) if the Company materially breaches any provision of this Agreement; or

(vi) if at any time during the term of this Agreement, either (A) Donald B. Murray, (B) an Initial Founder (as defined in the Stockholders Agreement), or (C) Brent Longnecker is not the Chief Executive Officer of the Company reporting directly to the Board, provided, however, that Employee remains employed by the Company for the six (6) months following the occurrence of the condition and notifies the Company in writing (pursuant to Section 24 ("Notices")) within thirty (30) days after the expiration of the six-month period of his decision to terminate his employment. In such case, Employee's employment will terminate thirty (30) days after giving said notice; provided, however, that Employee shall be entitled to only one-half (1/2) of any amounts payable under Section 7(b)(i) ("Termination without Cause") in the event that Donald B. Murray has ceased to be Chief Executive Officer for any reason other than the Company's termination of his employment without Cause or his resignation for Good Reason;

provided, however, that none of the events described in Subsection 8(b)(ii), 8(b)(iii) or 8(b)(v) shall constitute Good Reason unless Employee shall have notified the Company in writing describing the events which constitute Good Reason and then only if the Company shall have failed to cure such event within thirty (30) days after the Company's receipt of such written notice.

Any such termination by Employee for Good Reason shall be treated for all purposes of this Agreement as a termination by the Company without Cause and the provisions of Section 7(b) shall apply; provided, however, that if Employee attempts to resign for Good Reason pursuant to this Section 8(b) and it is ultimately determined that Good Reason did not exist, Employee shall be deemed to have resigned from employment without Good Reason and the provisions of Section 8(a) ("Termination Without Good Reason") and, by reference therein, the provisions of Section 7(a) ("Termination For Cause"), shall apply.

For purposes of this Agreement, a "Change of Control" shall be deemed to have occurred upon the occurrence of the following: Evercore Capital Partners L.P., directly or through its affiliates that are or have become parties to the Stockholders Agreement, ceases to own at least fifty percent (50%) of the Company's Voting Securities after giving effect to Section 4.8(a) of the Stockholders Agreement, (i) as a result of or in connection with any transaction or event including (without limitation), (A) in connection with a merger or consolidation involving the Company or a subsidiary of the Company, or (B) the divestment by the Company or a subsidiary of the Company, by sale, liquidation, foreclosure or any other means, of all or substantially all of its assets or business as held or conducted as of the date

hereof, but (ii) notwithstanding the foregoing clause (i), not solely as a result of a Qualified Public Offering. "Voting Securities" means securities of the Company entitled to vote in the election of the Company's directors.

9. EXPIRATION OF PERIOD OF EMPLOYMENT

(a) ELECTION NOT TO EXTEND PERIOD OF EMPLOYMENT. If either party elects not to extend the Period of Employment pursuant to Section 2, unless Employee's employment is earlier terminated pursuant to Sections 6, 7 or 8, termination of Employee's employment hereunder shall be deemed to occur on the close of business on the day immediately preceding the anniversary of the next Extension Date following the delivery of the Non-Extension Notice pursuant to Section 2. If the Company elects not to extend the Period of Employment, Employee's termination will be treated for all purposes under this Agreement as a termination by the Company without Cause under Section 7(b). If Employee elects not to extend the Period of Employment, Employee's termination will be treated for all purposes under this Agreement as a termination by Employee without Good Reason under Section 8(a).

(b) CONTINUED EMPLOYMENT BEYOND EXPIRATION OF PERIOD OF EMPLOYMENT. Unless the parties otherwise agree in writing, continuation of Employee's employment with the Company beyond expiration of the Period of Employment shall be deemed an employment at will and shall not be deemed to extend any of the provisions of this Agreement and Employee's employment may thereafter be terminated at will by either Employee or the Company; provided, however, that the provisions of Sections 12, 13 and 14 shall survive any termination of this Agreement or Employee's termination of employment hereunder.

10. BEST EFFORTS

(a) The Company in consultation with Employee and his advisers will use its best efforts to structure any payment Employee has the right to receive either directly or indirectly from the Company under this Agreement so as to avoid characterization of any such payment, either alone or in conjunction with other payments, as an "excess parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended.

(b) Notwithstanding the Company's obligation under Section 10(a), at Employee's election and sole discretion, Employee may cause any payment(s) from the Company to be reduced in dollar amount in order to avoid such payment, either alone or in conjunction with other payments, from being characterized as an "excess parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended.

11. MEANS AND EFFECT OF TERMINATION

Any termination of Employee's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. The notice of termination shall indicate the specific provision(s) of this Agreement relied upon in effecting the termination and shall set forth in reasonable detail the facts and circumstances alleged to provide a basis for termination, if any such basis is required by the applicable provision(s) of this Agreement.

12. NON-COMPETITION

Employee acknowledges and recognizes the highly competitive nature of the businesses of the Company and its affiliates and accordingly agrees as follows:

(a) During the Period of Employment and, for a period of two (2) years following the date Employee ceases to be employed by the Company for any reason (the "Restricted Period"), Employee will not, directly or indirectly, (i) engage in any business for Employee's own account that competes with the business of the Company or its affiliates (including, without limitation, businesses which the Company or its affiliates have specific plans to conduct in the future and as to which Employee is aware of such planning), (ii) enter the employ of, or render any services to, any person engaged in any business that competes with the business of the Company or its affiliates, (iii) acquire a financial interest in any person engaged in any business that competes with the business of the Company or its affiliates, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant, or (iv) interfere with business relationships (whether formed before or after the date of this Agreement) between the Company or any of its affiliates and customers, suppliers, partners, members or investors of the Company or its affiliates.

(b) Notwithstanding anything to the contrary in this Agreement, Employee may, directly or indirectly, own, solely as an investment, securities of any person engaged in the business of the Company or its affiliates which are publicly traded on a national or regional stock exchange or on an over-the-counter market if Employee (i) is not a controlling person of, or a member of a group which controls, such person and (ii) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such person.

(c) During the Restricted Period, Employee will not, directly or indirectly, (i) solicit or encourage any employee of the Company or its affiliates to leave the employment of the Company or its affiliates, or (ii) hire any such employee who was employed by the Company or its affiliates as of the date of Employee's termination of employment with the Company or who left the employment of the Company or its affiliates within one (1) year prior to or after the termination of Employee's employment with the Company.

(d) During the Restricted Period, Employee will not, directly or indirectly, solicit or encourage to cease to work with the Company or its affiliates any consultant then under contract with the Company or its affiliates.

(e) It is expressly understood and agreed that although Employee and the Company consider the restrictions contained in this Section 12 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against Employee, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

13. CONFIDENTIALITY.

Employee will not at any time (whether during or after his employment with the Company), unless compelled by lawful process, disclose or use for his own benefit or purposes or the benefit or purposes of any other person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise other than the Company and any of its subsidiaries or affiliates, any trade secrets, or other confidential data or information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans, or the business and affairs of the Company generally, or of any subsidiary or affiliate of the Company; provided that the foregoing shall not apply to information which is not unique
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to the Company or which is generally known to the industry or the public other than as a result of Employee's breach of this covenant. Employee agrees that upon termination of his employment with the Company for any reason, he will return to the Company immediately all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, except that he may retain personal notes, notebooks and diaries that do not contain confidential information of the type described in the preceding sentence. Employee further agrees that he will not retain or use for his account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of the Company or its affiliates.

14. SPECIFIC PERFORMANCE

Employee acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 12 or Section 13 would be inadequate and, in recognition of this fact, Employee agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

15. ASSIGNMENT

This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that, in the event of a merger, consolidation, or transfer or sale of all or substantially all of the assets of the Company with or to any other individual(s) or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

16. GOVERNING LAW

This Agreement and the legal relations hereby created between the parties hereto shall be governed by and construed under and in accordance with the internal laws of the State of California, without regard to conflicts of laws principles thereof.

17. ENTIRE AGREEMENT

This Agreement embodies the entire agreement of the parties hereto respecting the matters within its scope. This Agreement supersedes all prior agreements of the parties hereto on the subject matter hereof. Any prior negotiations, correspondence, agreements, proposals, or understandings relating to the subject matter hereof shall be deemed to be merged into this Agreement and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as set forth herein.

18. MODIFICATIONS

This Agreement shall not be modified by any oral agreement, either express or implied, and all modifications hereof shall be in writing and signed by the parties hereto.

19. WAIVER

Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

20. NUMBER AND GENDER

Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

21. SECTION HEADINGS

The section headings in this Agreement are for the purpose of convenience only and shall not limit or otherwise affect any of the terms hereof.

22. ATTORNEYS' FEES

Employee and the Company agree that in any dispute resolution proceedings arising out of this Agreement, the prevailing party shall be entitled to its or his reasonable attorneys' fees and costs incurred by it or him in connection with resolution of the dispute in addition to any other relief granted.

23. SEVERABILITY

In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any statute or public policy, then only the portions of this Agreement which violate such statute or public policy shall be stricken, and all portions of this Agreement which do not violate any statute or public policy shall continue in full force and effect. Furthermore, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

24. NOTICES

All notices under this Agreement shall be in writing and shall be either personally delivered or mailed postage prepaid, by certified mail, return receipt requested:

(a) if to the Company:

RC Transaction Corp.
c/o Re:sources Connection LLC
3 Imperial Promenade, Suite 600
Santa Ana, California 92707-5902
Attention: Chief Executive Officer

With copies to:

David A. Krinsky, Esq.
O'Melveny & Myers LLP
610 Newport Center Drive, Suite 1700
Newport Beach, California 92660

Mario A. Ponce, Esq.
Simpson Thacher & Bartlett
425 Lexington Avenue, 26th Floor
New York, New York 10017

Evercore Capital Partners, L.P.
65 East 55th Street
33rd Floor
New York, New York 10022
Attn: David G. Offensend

(b) if to Employee:

Stephen J. Giusto
RC Transaction Corp.
c/o Re:sources Connection LLC
3 Imperial Promenade, Suite 600
Santa Ana, California 92707-5902

With a copy to:

David A. Krinsky, Esq.
O'Melveny & Myers LLP
610 Newport Center Drive, Suite 1700
Newport Beach, California 92660

Notice shall be effective when personally delivered, or five (5) business days after being so mailed.

25. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

26. WITHHOLDING TAXES

The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company and Employee have executed this Employment Agreement as of the date first above written.

THE COMPANY:

By: /s/ Donald B. Murray

Name: Donald B. Murray

Title: President

EMPLOYEE:

/s/ Stephen J. Giusto

Stephen J. Giusto

EXHIBIT 10.5

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made as of April 1, 1999, between Karen M. Ferguson ("Employee") and RC Transaction Corp. (the "Company").

RECITALS

The Company desires to establish its right to the services of Employee in the capacities described below, on the terms and conditions hereinafter set forth, and Employee is willing to accept such employment on such terms and conditions.

AGREEMENT

The parties agree as follows:

1. DUTIES

(a) The Company does hereby hire, engage, and employ Employee as the Executive Vice President of the Company, and Employee does hereby accept and agree to such hiring, engagement, and employment. During the Period of Employment (as defined in Section 2), Employee shall serve the Company in such position fully, diligently, competently, and in conformity with the provisions of this Agreement, directives of the Chief Executive Officer of the Company, and the corporate policies of the Company as they presently exist, and as such policies may be amended, modified, changed, or adopted during the Period of Employment, and Employee shall have duties and authority consistent with Employee's position as Executive Vice President. If requested by the Company, Employee shall also serve as a member of the Board and Board committees without additional compensation.

(b) Throughout the Period of Employment, Employee shall devote her full time, energy, and skill to the performance of her duties for the Company, vacations and other leave authorized under this Agreement excepted. The foregoing notwithstanding, Employee shall be permitted to (i) engage in charitable and community affairs, (ii) act as a director of any corporations or organizations outside the Company, not to exceed five (5) in number, and receive compensation therefor, and (iii) to make investments of any character in any business or businesses and to manage such investments (but not be involved in the day-to-day operations of any such business); provided, in each case, and in the aggregate, that such activities do not interfere with the performance of Employee's duties hereunder or conflict with the provisions of Sections 13 and 14.

(c) Employee shall exercise due diligence and care in the performance of her duties for and the fulfillment of her obligations to the Company under this Agreement.

(d) During the Period of Employment, the Company shall furnish Employee with office, secretarial and other facilities and services as are reasonably necessary or appropriate for

the performance of Employee's duties hereunder and consistent with her position as the Executive Vice President of the Company.

(e) Employee hereby represents to the Company that the execution and delivery of this Agreement by Employee and the Company and the performance by Employee of Employee's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment or other agreement or policy to which Employee is a party or otherwise bound.

2. PERIOD OF EMPLOYMENT

The "Period of Employment" shall, unless sooner terminated as provided herein, be three (3) years commencing on April 1, 1999 (the "Effective Date") and ending with the close of business on March 31, 2002. Notwithstanding the preceding sentence, commencing with April 1, 2002 and on each April 1 thereafter (each an "Extension Date"), the Period of Employment shall be automatically extended for an additional one (1)-year period, unless the Company or Employee provides the other party hereto sixty (60) days' prior written notice before the next scheduled Extension Date that the Period of Employment shall not be so extended (the "Non-Extension Notice"). The term "Period of Employment" shall include any extension that becomes applicable pursuant to the preceding sentence.

3. COMPENSATION

(a) BASE SALARY. During the Period of Employment, the Company shall pay
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Employee, and Employee agrees to accept from the Company, in payment for her services, a base salary of two hundred thousand dollars ($200,000) per year ("Base Salary"), payable in equal bi-weekly installments or at such other time or times as Employee and the Company shall agree. The Chief Executive Officer shall consider not less frequently than annually upward adjustment to Employee's Base Salary. The determination of whether Employee's Base Salary will be upwardly adjusted is within the sole and absolute discretion of the Chief Executive Officer except as otherwise provided in the Stockholders Agreement (as defined below). The Chief Executive Officer at any time or times may, but shall have no obligation to, supplement Employee's salary by such bonuses and/or other special payments and benefits as the Company in its sole and absolute discretion may determine.

(b) ANNUAL INCENTIVE COMPENSATION. During the Period of Employment,
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Employee shall be entitled to participate in any annual incentive or bonus plan or plans maintained by the Company for senior management employees of the Company generally, in accordance with the terms, conditions, and provisions of each such plan as the same may be changed, amended, or terminated, from time to time.

(c) EQUITY COMPENSATION. During the Period of Employment, Employee shall be
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entitled to participate in any equity-based plan or arrangement, including, but not limited to, stock options, stock appreciation rights, restricted stock, or other equity incentive plans or arrangements maintained by the Company for senior management employees of the Company generally, in accordance with the terms, conditions, and provisions of each such plan or arrangement as the same may be changed, amended, or terminated, from time to time.

4. BENEFITS

(a) HEALTH AND WELFARE. During the Period of Employment, Employee shall be entitled to participate in all health and welfare benefit plans and programs and all retirement, deferred compensation and similar plans and programs generally available to all other senior management employees of the Company or to all employees of the Company as in effect from time to time, subject to any restrictions specified in such plans and programs.

(b) FRINGE BENEFITS. During the Period of Employment, Employee shall be entitled to participate in all fringe benefit plans and programs generally available to all other senior management employees of the Company or to all employees of the Company as in effect from time to time, subject to any restrictions specified in such plans and programs.

(c) VACATION AND OTHER LEAVE. Employee shall be entitled to such amounts of paid vacation and other leave, but not less than four (4) weeks vacation per twelve-month period of employment, as from time to time may be allowed to the Company's senior management personnel generally, with such vacation to be scheduled and taken in accordance with the Company's standard vacation policies applicable to such personnel.

(d) BUSINESS EXPENSES. During the Period of Employment, reasonable business expenses incurred by Employee in the performance of Employee's duties hereunder shall be reimbursed by the Company in accordance with the Company's business expense reimbursement policies as in effect from time to time.

(e) AUTOMOBILE. To the extent provided to other senior officers or executives of the Company, during the Period of Employment, Employee shall be entitled to receive an automobile allowance or a leased automobile and reimbursement for expenses associated with the operation and maintenance of such automobile. The Company will reimburse Employee upon presentation of vouchers and documentation for any such operational and maintenance expenses which are consistent with the usual accounting procedures of the Company.

5. PUT AND CALL RIGHTS.

(a) EMPLOYEE'S STOCK. At any time, this Section 5 shall apply to all shares of the Company's common stock, par value one cent ($.01) per share, owned by Employee at that time ("Employee's Stock"). As of the date hereof, thirty-four thousand (34,000) shares of Employee's Stock ("Employee's Restricted Stock") consist of shares of the Company's common stock that were issued pursuant to the Company's 1998 Employee Stock Purchase Plan (the "Stock Purchase Plan") and the Restricted Stock Agreement between Employee and the Company dated December 14, 1998 (the "Restricted Stock Agreement"). The provisions of this Section 5 apply to Employee's Stock, including Employee's Restricted Stock, notwithstanding any provisions of the Stock Purchase Plan or the Restricted Stock Agreement to the contrary; provided, however, that the Stock Purchase Plan and the Restricted Stock Agreement shall otherwise continue in full force and effect with respect to the Employee's Restricted Stock to the extent not inconsistent with the express language of this Section 5.

(b) EMPLOYEE'S PUT RIGHT. If Employee's employment with the Company ends due to termination by the Company without Cause or resignation by Employee with Good

Reason prior to a Qualified Public Offering, then Employee may cause the Company to purchase all or part of Employee's Stock (a "Put"), for a purchase price equal to Fair Market Value, by giving the Company notice (the "Put Notice") at any time within one-hundred eighty (180) days after such end of employment. The Put Notice shall state the number of shares of Employee's Stock with respect to which she is exercising a Put (the "Put Shares") and the Fair Market Value thereof in Employee's good faith opinion (the "Employee's Stated Fair Market Value").

(c) COMPANY'S CALL RIGHT. If Employee's employment with the Company ends due to termination by the Company or resignation by Employee prior to a Qualified Public Offering, then the Company may purchase (i) in the case of termination by the Company for Cause or Employee's resignation without Good Reason, all or part of Employee's Stock, for a purchase price equal to (A) the lesser of Fair Market Value or ten dollars ($10.00) per share with respect to Unvested Employee's Stock and (B) Fair Market Value with respect to Vested Employee's Stock; or (ii) in the case of termination by the Company without Cause or Employee's resignation with Good Reason, all or part of Employee's Stock, for consideration equal to Fair Market Value; in each case (a "Call") by giving Employee notice (a "Call Notice") at any time within one-hundred eighty (180) days after such termination or resignation. The Call Notice shall state the number of shares of Employee's Stock with respect to which the Company is exercising a Call (the "Call Shares") and the Fair Market Value thereof in the Company's good faith opinion (the "Company's Stated Fair Market Value").

(d) PUT AND CALL RIGHTS UPON DEATH OR DISABILITY. Upon any termination of the Period of Employment and Employee's employment hereunder by reason of Employee's death or Permanent Disability, Employee or her estate shall have a Put right to cause the Company to purchase, and the Company shall have a Call right to purchase from Employee or her estate, all or part of such shares of Employee's Stock that have not been purchased by the Company or the Initial Founders (as defined in the Stockholders Agreement dated as of the date hereof, among the Company, Employee and certain other stockholders of the Company (the "Stockholders Agreement")) pursuant to Section 3.3 of the Stockholders Agreement, for consideration equal to Fair Market Value, in each case by giving notice to the other party invoking this paragraph (d) (which notice shall be considered a Put Notice or Call Notice, as the case may be, for the purposes of this Agreement) within thirty (30) days after the date of the Transfer Notice (as defined in the Stockholders Agreement).

(e) FAIR MARKET VALUE. "Fair Market Value" means the fair market value, without minority discount, per share of the Company's common stock on the date of the Put Notice or the Call Notice, as the case may be, determined as follows: (i) first, Employee and the Company shall attempt in good faith to agree promptly upon the Fair Market Value; (ii) second, if Employee and the Company do not agree upon the Fair Market Value within ten (10) days after the Put Notice or the Call Notice, as the case may be, then Employee and the Company shall agree upon an independent appraiser to determine the Fair Market Value; and (iii) third, if Employee and the Company do not agree upon an independent appraiser within twenty (20) days after the Put Notice or the Call Notice, as the case may be, then Employee and the Company each shall promptly appoint one independent appraiser, and such appraisers shall promptly appoint a third independent appraiser, whereupon such third independent appraiser shall promptly make its independent determination of the fair market value of the Company's

Common Stock, which determination shall be deemed the Fair Market Value; provided, however, that if the Company's common stock is listed and actively trading on the New York Stock Exchange, the American Stock Exchange or the National Market System of the Nasdaq Stock Market, then the Fair Market Value shall equal the average closing price of the Company's common stock on such market during the twenty (20) trading days prior to the date of the Put Notice or the Call Notice, as the case may be. The fees of any appraiser pursuant to subsection (e)(ii) shall be borne by the Company. The fees of each appraiser appointed by a party pursuant to subsection (e)(iii) shall be borne by the party that appointed such appraiser, and the fees of the third appraiser pursuant to subsection (e)(iii) shall be borne by the Company.

(f) PURCHASE. The closing of a Put or a Call, as the case may be, shall take place no later than fifteen (15) days after the determination of Fair Market Value under subsection (e) above (the "Closing"). At the Closing, the Company shall purchase from Employee, and Employee shall sell to the Company, the Put Shares or the Call Shares, as the case may be, and the Company shall pay to Employee in cash the purchase price specified above.

(g) VESTING OF EMPLOYEE'S STOCK. Employee's Stock shall be deemed to be vested ("Vested Employee's Stock") as follows: (i) one-third (1/3) of the shares of Employee's Stock owned by Employee as of the date hereof shall be deemed vested as of the date hereof; (ii) an additional one-sixth (1/6) of the shares of Employee's Stock owned by Employee as of the date hereof shall be deemed vested as of each of the next four anniversaries of the date of this Agreement; and (iii) all shares of Employee's Stock acquired by Employee after the date hereof shall thereupon be deemed fully vested for all purposes of this Agreement (unless such shares are restricted stock acquired under the Restricted Stock Plan, in which case such shares shall be subject to the vesting and other terms and conditions of the Restricted Stock Plan notwithstanding this clause (iii)). "Unvested Employee's Stock" means such shares of Employee's Stock that are not deemed vested under this subsection (g). The terms "vested" and "unvested" solely relate to the determination of the purchase price for Call Shares in the event of a Call by the Company due to the Company's termination of Employee's employment for Cause or Employee's resignation without Good Reason, and shall not be construed to limit any ownership, voting or other rights of Employee with respect to any Employee's Stock.

(h) QUALIFIED PUBLIC OFFERING. As used in this Section 5, "Qualified Public Offering" means the sale, in an underwritten public offering, registered under the Securities Act of 1933, of shares of the Company's common stock, (A) immediately after which the number of shares of common stock then publicly held constitute at least twenty percent (20%) of the outstanding shares of common stock, on a fully diluted basis, and (B) which results in cash proceeds to the Company and/or its shareholders which, when aggregated with any cash proceeds paid to the Company and/or its shareholders in connection with any prior underwritten registered public offerings of the Company's common stock, equals or exceeds twenty-five million dollars ($25,000,000).

(i) RESTRICTION ON PUT AND CALL RIGHTS. Notwithstanding any other provision of this Agreement, if it is not possible for the Company to pay, in accordance with paragraph (f) above, the required cash consideration for any shares of Employee's Stock with respect to which Employee or the Company has attempted to exercise a Put or Call, as the case may be, without such payment constituting a default or an event of default or causing a

mandatory prepayment requirement under the terms of any agreement for indebtedness of the Company or any of its subsidiaries to which the Company or any of its subsidiaries is a party, then Employee or the Company shall not have the right to exercise such Put or Call, as the case may be, with respect to such shares; provided, however, that if there are any such shares in the event of a Put, then Employee or her estate shall have the right to sell or otherwise dispose of such shares to a third party (the "Third Party Buyer") upon such terms as may be agreed upon by Employee or her estate and the Third Party Buyer, subject to the following procedure:

(i) Employee or her estate shall give each Evercore Stockholder (as such term is defined in the Stockholders Agreement) and the Initial Founders (collectively, the "Associated Buyers") written notice (the "Sale Notice") setting forth the name of the Third Party Buyer, the terms (including a description of the cash or other type of consideration to be paid) agreed upon by Employee or her estate and the Third Party Buyer (the "Sale Terms"), the number of shares of Employee's Stock to be sold (the "Sale Shares"), and the purchase price per share agreed upon by Employee or her estate and the Third Party Buyer (the "Sale Price").

(ii) Within thirty (30) days after the Sale Notice, an Associated Buyer shall have the right, by giving Employee or her estate written notice (the "Exercise Notice") invoking its rights under this subsection 5(j), to purchase, for the Sale Price and in accordance with the Sale Terms, a number of the Sale Shares equal to (A) a fraction, the numerator of which is the number of shares of the Company's common stock then owned of record by such Associated Buyer and the denominator of which is the aggregate number of shares then owned of record by the Associated Buyers, multiplied by (B) the number of Sale Shares. Any Sale Shares that an Associated Buyer would be entitled to purchase under this subsection 5(j) but for which such Associated Buyer did not give an Exercise Notice within such thirty (30)-day period may be purchased by the remaining Associated Buyers (by giving Employee or her estate supplemental written notice within thirty-five (35) days of the Sale Notice) in such proportion as each such Associated Buyer's then current record ownership of the Company's common stock bears to the aggregate record ownership of the Company's common stock by all such remaining Associated Buyers.

(iii) If the Associated Buyers elect to purchase all of the Sale Shares in accordance with this subsection 5(j), then such purchase shall be consummated at the Sale Price and upon the Sale Terms within sixty (60) days after the Sale Notice. If the Associated Buyers do not elect to purchase all of the Sale Shares in accordance with this subsection 5(j), then Employee or her estate may transfer the Sale Shares to the Third Party Buyer, provided such transfer is for the Sale Price and in accordance with the Sale Terms.

6. DEATH OR DISABILITY

(a) DEFINITION OF PERMANENTLY DISABLED AND PERMANENT DISABILITY. For purposes of this Agreement, the terms "Permanently Disabled" and "Permanent Disability" shall mean Employee's inability, because of physical or mental illness

or injury, to perform substantially all of her customary duties pursuant to this Agreement, and the continuation of such disabled condition for a period of ninety (90) continuous days, or for not less than one hundred eighty (180) days during any continuous twenty-four (24) month period. Whether Employee is Permanently Disabled shall be certified to the Company by a Qualified Physician (as hereinafter defined). The determination of the individual Qualified Physician shall be binding and conclusive for all purposes. As used herein, the term "Qualified Physician" shall mean any medical doctor who is licensed to practice medicine in the State of California. Employee and the Company may in any instance, and in lieu of a determination by a Qualified Physician, agree between themselves that Employee is Permanently Disabled. The terms "Permanent Disability" and "Permanently Disabled" as used herein may have meanings different from those used in any disability insurance policy or program maintained by Employee or the Company, and meanings different from the definitions under any federal, state or local statutes, regulations and/or laws.

(b) VESTING ON DEATH OR DISABILITY. Upon any termination of the Period of Employment and Employee's employment hereunder by reason of Employee's death or Permanent Disability, as defined in Section 6(a) ("Death or Disability - Definition of Permanently Disabled and Permanent Disability"), any remaining Unvested Employee's Stock shall thereupon automatically be deemed Vested Employee's Stock, notwithstanding any other provision of this Agreement.

(c) TERMINATION DUE TO DEATH OR DISABILITY. If Employee dies or becomes Permanently Disabled during the Period of Employment, the Period of Employment and Employee's employment shall automatically cease and terminate as of the date of Employee's death or the date of Permanent Disability (which date shall be determined by the Qualified Physician or by agreement, under Section 6(a) above, and referred to as the "Disability Date"), as the case may be. In the event of the termination of the Period of Employment and Employee's employment hereunder due to Employee's death or Permanent Disability, Employee or her estate shall be entitled to receive:

(i) a lump sum cash payment, payable within ten (10) business days after termination of Employee's employment, equal to the sum of (x) any accrued but unpaid Base Salary as of the date of Employee's termination of employment hereunder and (y) any earned but unpaid annual incentive compensation in respect of the most recently completed fiscal year preceding Employee's termination of employment hereunder (the "Earned/Unpaid Annual Bonus"); and

(ii) a pro-rated portion of the target annual incentive compensation, if any, that Employee would have been entitled to receive pursuant to Section 3(b) in respect of the fiscal year in which termination of Employee's employment occurs, based upon the percentage of such fiscal year that shall have elapsed through the date of Employee's termination of employment, payable when such annual incentive would otherwise have been payable had Employee's employment not terminated; and

(iii) such employee benefits described in Sections 4(a), 4(b) and 4(c)("Employee Benefits"), if any, as to which Employee may be entitled under the employee benefit plans and arrangements of the Company.

Notwithstanding any other provision of this Agreement, following such termination of Employee's employment due to Employee's death or Permanent Disability, except as set forth in Sections 6(b) and 6(c) and the Company's obligations under Section 5, and except for Employee's rights (if any) under the plans, arrangements and programs referenced in Sections 3(b), 3(c) and 4, Employee shall have no further rights to any compensation or other benefits under this Agreement.

In the event Employee's employment is terminated on account of Employee's Permanent Disability, she shall, so long as her Permanent Disability continues, remain eligible for all benefits provided under any long-term disability programs of the Company in effect at the time of such termination, subject to the terms and conditions of any such programs, as the same may be changed, modified, or terminated for or with respect to all senior management personnel of the Company.

7. TERMINATION BY THE COMPANY

(a) TERMINATION FOR CAUSE. The Company may, by providing written notice to Employee, terminate the Period of Employment and Employee's employment hereunder for Cause at any time. The term "Cause" for purpose of this Agreement shall mean:

(i) Employee's conviction of or entrance of a plea of guilty or nolo contendere to a felony; or

(ii) fraudulent conduct by Employee in connection with the business affairs of the Company; or

(iii) theft, embezzlement, or other criminal misappropriation of funds by Employee from the Company; or

(iv) Employee's continued and substantial failure to perform the duties hereunder (other than as a result of total or partial incapacity due to physical illness), which failure is not cured within thirty (30) days following written notice by the Company to Employee of such failure; provided, however, that (A) it shall not be Cause if Employee is making good faith efforts to perform duties and (B) this provision shall not apply to any qualitative dissatisfaction by the Company with Employee's performance of her duties hereunder; or (v) Employee's continued breach of the provisions of Sections 13 and 14 of this Agreement, which breach is not cured within thirty (30) days following written notice by the Company to Employee of such breach.

If Employee's employment is terminated for Cause, the termination shall take effect on the effective date (pursuant to Section 24 ("Notices")) of written notice of such termination to Employee.

In the event of the termination of the Period of Employment and Employee's employment hereunder due to a termination by the Company for Cause, then Employee shall be

entitled to receive: (i) a lump sum cash payment, payable within ten (10) business days after termination of Employee's employment equal to the sum of (A) accrued but unpaid Base Salary as of the date of termination of Employee's employment hereunder and (B) any Earned/Unpaid Annual Bonus in respect of the most recently completed fiscal year preceding termination of Employee's employment hereunder; and (ii) such Employee Benefits, if any, as to which Employee may be entitled under the employee benefit plans and arrangements of the Company.

Notwithstanding any other provision of this Agreement, following such termination of Employee's employment due to termination by the Company for Cause, except as set forth in this Section 7(a), and except for Employee's rights (if any) under the plans, arrangements and programs referenced in Sections 3(b), 3(c) and 4, Employee shall have no further rights to any compensation or other benefits under this Agreement.

If the Company attempts to terminate Employee's employment pursuant to this Section 7(a) and it is ultimately determined that the Company lacked Cause, the provisions of Section 7(b) ("Termination by the Company-Termination Without Cause") shall apply and, in addition to any other remedies that Employee may have, Employee shall be entitled to receive the payments called for by Section 7(b) ("Termination by the Company-Termination Without Cause") with interest on any past due payments at the rate of eight percent (8%) per year from the date on which the applicable payment would have been made pursuant to Section 7(b) plus Employee's costs and expenses (including but not limited to reasonable attorneys' fees) incurred in connection with such dispute.

(b) TERMINATION WITHOUT CAUSE. The Company may, with or without reason,
terminate the Period of Employment and Employee's employment hereunder without Cause at any time, by providing Employee written notice of such termination. In the event of the termination of the Period of Employment and Employee's employment hereunder due to a termination by the Company without Cause (other than due to Employee's death or Permanent Disability), then Employee shall be entitled to receive:

(i) a lump sum cash payment equal to the sum of (A) any accrued but unpaid Base Salary as of the date of Employee's termination of employment hereunder, (B) the Earned/Unpaid Annual Bonus, if any, (C) the target annual incentive compensation, if any, that Employee would have been entitled to receive pursuant to Section 3(b) in respect of the fiscal year in which termination of Employee's employment occurs and (D) an amount equal to the product of (x) the Employee's then current Base Salary times (y) the greater of
(I) two (2) or (II) the number of years (including fractions thereof) remaining in the Period of Employment as of the date of Employee's termination of employment (determined without regard to Employee's termination of employment and without regard to any further extensions pursuant to Section 2). The lump sum cash payment shall be made in two installments with fifty percent (50%) of the lump sum payable within ten (10) business days after termination of Employee's employment, and provided Employee is in compliance with Section 13 of the Agreement ("Non-Competition"), fifty percent (50%) plus interest at a rate of eight percent (8%) per year from the date of Employee's termination of employment payable one (1) year after the date of Employee's termination of employment;

(ii) such Employee Benefits, if any, as to which Employee may be entitled under the employee benefit plans and arrangements of the Company;

(iii) continued participation in the Company's group health insurance plans at the Company's expense until the earlier of (A) the expiration of the two (2) years from the effective date of termination or (B) Employee's eligibility for participation in the group health plan of a subsequent employer or entity for which Employee provides consulting services; and

(iv) reasonable relocation expenses not to exceed one hundred thousand dollars ($100,000), which are incurred by reason of Employee's relocation to California within one (1) year from the date of Employee's termination of employment with the Company;

provided, however, that the amount otherwise payable to Employee pursuant to Section 7(b)(i)(D) shall be reduced by the amount of any cash severance or termination benefits paid to Employee under any other severance plan, severance program or severance arrangement of the Company and its affiliates (but not reduced by any other payment to Employee whatsoever, including (without limitation) any payment by the Company or any affiliate of the Company in consideration of stock or any other property, whether pursuant to Section 5 of this Agreement or otherwise).

Notwithstanding any other provision of this Agreement, following such termination of Employee's employment due to termination by the Company without Cause, except as set forth in this Section 7(b) and the Company's obligations under Section 5, and except for Employee's rights (if any) under the plans, arrangements and programs referenced in Sections 3(b), 3(c) and 4, Employee shall have no further rights to any compensation or other benefits under this Agreement.

8. TERMINATION BY EMPLOYEE

(a) TERMINATION WITHOUT GOOD REASON. Employee shall have the right to terminate the Period of Employment and Employee's employment hereunder at any time without Good Reason (as defined below) upon thirty (30) days prior written notice of such termination to the Company. Any such termination by the Employee without Good Reason shall be treated for all purposes of this Agreement as a termination by the Company for Cause and the provisions of Section 7(a) shall apply.

(b) TERMINATION WITH GOOD REASON. The Employee may terminate the Period of Employment and resign from employment hereunder for "Good Reason":

(i) if the Company requires Employee to relocate her principal office to a location outside of New York, New York, without Employee's consent; or

(ii) if the Company fails to provide Employee with the compensation and benefits called for by this Agreement; or

(iii) if the Company substantially diminishes Employee's assignment, duties, responsibilities, operating authority or reporting relationship to the Chief Executive Officer from those specified in Section 1 ("Duties"); or

(iv) for any reason following a Change of Control, provided, however, that Employee remains employed by the Company for the six (6) months following a Change of Control and notifies the Company in writing (pursuant to Section 24 ("Notices")) within thirty (30) days after the expiration of the six-month period following the Change of Control of her decision to terminate her employment. In such case, Employee's employment will terminate thirty (30) days after giving said notice; or

(v) if the Company materially breaches any provision of this Agreement; or

(vi) if at any time during the term of this Agreement, either (A) Donald B. Murray, (B) an Initial Founder (as defined in the Stockholders Agreement), or (C) Brent Longnecker is not the Chief Executive Officer of the Company reporting directly to the Board, provided, however, that Employee remains employed by the Company for the six (6) months following the occurrence of the condition and notifies the Company in writing (pursuant to Section 24 ("Notices")) within thirty (30) days after the expiration of the six-month period of her decision to terminate her employment. In such case, Employee's employment will terminate thirty (30) days after giving said notice; provided, however, that Employee shall be entitled to only one-half (1/2) of any amounts payable under Section 7(b)(i) ("Termination without Cause") in the event that Donald B. Murray has ceased to be Chief Executive Officer for any reason other than the Company's termination of his employment without Cause or his resignation for Good Reason;

provided, however, that none of the events described in Subsection 8(b)(ii), 8(b)(iii) or 8(b)(v) shall constitute Good Reason unless Employee shall have notified the Company in writing describing the events which constitute Good Reason and then only if the Company shall have failed to cure such event within thirty (30) days after the Company's receipt of such written notice.

Any such termination by Employee for Good Reason shall be treated for all purposes of this Agreement as a termination by the Company without Cause and the provisions of Section 7(b) shall apply; provided, however, that if Employee attempts to resign for Good Reason pursuant to this Section 8(b) and it is ultimately determined that Good Reason did not exist, Employee shall be deemed to have resigned from employment without Good Reason and the provisions of Section 8(a) ("Termination Without Good Reason") and, by reference therein, the provisions of Section 7(a) ("Termination For Cause"), shall apply.

For purposes of this Agreement, a "Change of Control" shall be deemed to have occurred upon the occurrence of the following: Evercore Capital Partners L.P., directly or through its affiliates that are or have become parties to the Stockholders Agreement, ceases to own at least fifty percent (50%) of the Company's Voting Securities after giving effect to Section 4.8(a) of the Stockholders Agreement, (i) as a result of or in connection with any transaction or event including (without limitation), (A) in connection with a merger or consolidation involving the Company or a subsidiary of the Company, or (B) the divestment by

the Company or a subsidiary of the Company, by sale, liquidation, foreclosure or any other means, of all or substantially all of its assets or business as held or conducted as of the date hereof, but (ii) notwithstanding the foregoing clause (i), not solely as a result of a Qualified Public Offering. "Voting Securities" means securities of the Company entitled to vote in the election of the Company's directors.

9. EXPIRATION OF PERIOD OF EMPLOYMENT

(a) ELECTION NOT TO EXTEND PERIOD OF EMPLOYMENT. If either party elects not to extend the Period of Employment pursuant to Section 2, unless Employee's employment is earlier terminated pursuant to Sections 6, 7 or 8, termination of Employee's employment hereunder shall be deemed to occur on the close of business on the day immediately preceding the anniversary of the next Extension Date following the delivery of the Non-Extension Notice pursuant to Section 2. If the Company elects not to extend the Period of Employment, Employee's termination will be treated for all purposes under this Agreement as a termination by the Company without Cause under Section 7(b). If Employee elects not to extend the Period of Employment, Employee's termination will be treated for all purposes under this Agreement as a termination by Employee without Good Reason under Section 8(a).

(b) CONTINUED EMPLOYMENT BEYOND EXPIRATION OF PERIOD OF EMPLOYMENT. Unless the parties otherwise agree in writing, continuation of Employee's employment with the Company beyond expiration of the Period of Employment shall be deemed an employment at will and shall not be deemed to extend any of the provisions of this Agreement and Employee's employment may thereafter be terminated at will by either Employee or the Company; provided, however, that the provisions of Sections 13, 14 and 15 shall survive any termination of this Agreement or Employee's termination of employment hereunder.

10. RELOCATION ELECTION

At Employee's option, on or at any time after September 1, 2001, Employee may notify the Company of her desire to relocate to the Company's office located in the San Francisco Bay Area. Upon such notice, the Company shall use its best efforts to place Employee in a position with duties comparable to her duties as Executive Vice President. If no comparable position exists, the Company shall use its best efforts to place Employee in a mutually agreeable position to Employee and the Company. In either event, employee may, at her sole discretion, elect not to relocate to such office.

11. BEST EFFORTS

(a) The Company in consultation with Employee and her advisers will use its best efforts to structure any payment Employee has the right to receive either directly or indirectly from the Company under this Agreement so as to avoid characterization of any such payment, either alone or in conjunction with other payments, as an "excess parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended.

(b) Notwithstanding the Company's obligation under Section 10(a), at Employee's election and sole discretion, Employee may cause any payment(s) from the Company to be reduced in dollar amount in order to avoid such payment, either alone or in conjunction with other payments, from being characterized as an "excess parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended.

12. MEANS AND EFFECT OF TERMINATION

Any termination of Employee's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. The notice of termination shall indicate the specific provision(s) of this Agreement relied upon in effecting the termination and shall set forth in reasonable detail the facts and circumstances alleged to provide a basis for termination, if any such basis is required by the applicable provision(s) of this Agreement.

13. NON-COMPETITION

Employee acknowledges and recognizes the highly competitive nature of the businesses of the Company and its affiliates and accordingly agrees as follows:

(a) During the Period of Employment and, either (i) for a period of one (1) year following Employee's termination by the Company without Cause or termination by Employee with Good Reason or (ii) for a period of two (2) years following the date Employee ceases to be employed by the Company for any reason other than those specified in Section 13(a)(i), Employee will not, directly or indirectly, (A) engage in any business for Employee's own account that competes with the business of the Company or its affiliates (including, without limitation, businesses which the Company or its affiliates have specific plans to conduct in the future and as to which Employee is aware of such planning), (B) enter the employ of, or render any services to, any person engaged in any business that competes with the business of the Company or its affiliates, or (C) acquire a financial interest in any person engaged in any business that competes with the business of the Company or its affiliates, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant.

(b) During the Period of Employment and, for a period of two (2) years following the date Employee ceases to be employed by the Company for any reason, Employee will not interfere with business relationships (whether formed before or after the date of this Agreement) between the Company or any of its affiliates and customers, suppliers, partners, members or investors of the Company or its affiliates.

(c) Notwithstanding anything to the contrary in this Agreement, Employee may, directly or indirectly, own, solely as an investment, securities of any person engaged in the business of the Company or its affiliates which are publicly traded on a national or regional stock exchange or on an over-the-counter market if Employee (i) is not a controlling person of, or a member of a group which controls, such person and (ii) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such person.

(d) During the Period of Employment and, for a period of two (2) years following the date Employee ceases to be employed by the Company for any reason, Employee will not, directly or indirectly, (i) solicit or encourage any employee of the Company or its affiliates to leave the employment of the Company or its affiliates, (ii) hire any such employee who was employed by the Company or its affiliates as of the date of Employee's termination of employment with the Company or who left the employment of the Company or its affiliates within one (1) year prior to or after the termination of Employee's employment with the Company, or (iii) solicit or encourage to cease to work with the Company or its affiliates any consultant then under contract with the Company or its affiliates.

(e) It is expressly understood and agreed that although Employee and the Company consider the restrictions contained in this Section 13 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against Employee, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

14. CONFIDENTIALITY.

Employee will not at any time (whether during or after her employment with the Company), unless compelled by lawful process, disclose or use for her own benefit or purposes or the benefit or purposes of any other person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise other than the Company and any of its subsidiaries or affiliates, any trade secrets, or other confidential data or information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans, or the business and affairs of the Company generally, or of any subsidiary or affiliate of the Company; provided that the foregoing shall not apply to information which is not unique
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to the Company or which is generally known to the industry or the public other than as a result of Employee's breach of this covenant. Employee agrees that upon termination of her employment with the Company for any reason, she will return to the Company immediately all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, except that she may retain personal notes, notebooks and diaries that do not contain confidential information of the type described in the preceding sentence. Employee further agrees that she will not retain or use for her account at

any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of the Company or its affiliates.

15. SPECIFIC PERFORMANCE

Employee acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 13 or Section 14 would be inadequate and, in recognition of this fact, Employee agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

16. ASSIGNMENT

This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that, in the event of a merger, consolidation, or transfer or sale of all or substantially all of the assets of the Company with or to any other individual(s) or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

17. GOVERNING LAW

This Agreement and the legal relations hereby created between the parties hereto shall be governed by and construed under and in accordance with the internal laws of the State of California, without regard to conflicts of laws principles thereof.

18. ENTIRE AGREEMENT

This Agreement embodies the entire agreement of the parties hereto respecting the matters within its scope. This Agreement supersedes all prior agreements of the parties hereto on the subject matter hereof. Any prior negotiations, correspondence, agreements, proposals, or understandings relating to the subject matter hereof shall be deemed to be merged into this Agreement and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as set forth herein.

19. MODIFICATIONS

This Agreement shall not be modified by any oral agreement, either express or implied, and all modifications hereof shall be in writing and signed by the parties hereto.

20. WAIVER

Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

21. NUMBER AND GENDER

Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

22. SECTION HEADINGS

The section headings in this Agreement are for the purpose of convenience only and shall not limit or otherwise affect any of the terms hereof.

23. ATTORNEYS' FEES

Employee and the Company agree that in any dispute resolution proceedings arising out of this Agreement, the prevailing party shall be entitled to its or her reasonable attorneys' fees and costs incurred by it or him in connection with resolution of the dispute in addition to any other relief granted.

24. SEVERABILITY

In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any statute or public policy, then only the portions of this Agreement which violate such statute or public policy shall be stricken, and all portions of this Agreement which do not violate any statute or public policy shall continue in full force and effect. Furthermore, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

25. NOTICES

All notices under this Agreement shall be in writing and shall be either personally delivered or mailed postage prepaid, by certified mail, return receipt requested:

(a) if to the Company:

RC Transaction Corp.
c/o Re:sources Connection LLC
3 Imperial Promenade, Suite 600
Santa Ana, California 92707-5902
Attention: Chief Executive Officer

With copies to:

David A. Krinsky, Esq.
O'Melveny & Myers LLP
610 Newport Center Drive, Suite 1700
Newport Beach, California 92660

Mario A. Ponce, Esq.
Simpson Thacher & Bartlett
425 Lexington Avenue, 26th Floor
New York, NY 10017

(b) if to Employee:

Karen M. Ferguson
RC Transaction Corp.
c/o Re:sources Connection LLC
1633 Broadway, 36th Floor
New York, New York 10019-6574

With a copy to:

David A. Krinsky, Esq.
O'Melveny & Myers LLP
610 Newport Center Drive, Suite 1700
Newport Beach, California 92660

Notice shall be effective when personally delivered, or five (5) business days after being so mailed.

26. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

27. WITHHOLDING TAXES

The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company and Employee have executed this Employment Agreement as of the date first above written.

THE COMPANY:

By: /s/ Donald B. Murray

Name: Donald B. Murray

Title: President

EMPLOYEE:

/s/ Karen M. Ferguson

Karen M. Ferguson

EXHIBIT 10.6

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made as of April 1, 1999, between Brent M. Longnecker ("Employee") and RC Transaction Corp. (the "Company").

RECITALS

The Company desires to establish its right to the services of Employee in the capacities described below, on the terms and conditions hereinafter set forth, and Employee is willing to accept such employment on such terms and conditions.

AGREEMENT

The parties agree as follows:

1. DUTIES

(a) The Company does hereby hire, engage, and employ Employee as the Executive Vice President of the Company, and Employee does hereby accept and agree to such hiring, engagement, and employment. During the Period of Employment (as defined in Section 2), Employee shall serve the Company in such position fully, diligently, competently, and in conformity with the provisions of this Agreement, directives of the Chief Executive Officer of the Company, and the corporate policies of the Company as they presently exist, and as such policies may be amended, modified, changed, or adopted during the Period of Employment, and Employee shall have duties and authority consistent with Employee's position as Executive Vice President. If requested by the Company, Employee shall also serve as a member of the Board and Board committees without additional compensation.

(b) Throughout the Period of Employment, Employee shall devote his full time, energy, and skill to the performance of his duties for the Company, vacations and other leave authorized under this Agreement excepted. The foregoing notwithstanding, Employee shall be permitted to (i) engage in charitable and community affairs, (ii) act as a director of any corporations or organizations outside the Company, not to exceed four (4) in number, and receive compensation therefor, and (iii) to make investments of any character in any business or businesses and to manage such investments (but not be involved in the day-to-day operations of any such business); provided, in each case, and in the aggregate, that such activities do not interfere with the performance of Employee's duties hereunder or conflict with the provisions of Sections 12 and 13.

(c) Employee shall exercise due diligence and care in the performance of his duties for and the fulfillment of his obligations to the Company under this Agreement.

(d) During the Period of Employment, the Company shall furnish Employee with office, secretarial and other facilities and services as are reasonably necessary or appropriate for

the performance of Employee's duties hereunder and consistent with his position as the Executive Vice President of the Company.

(e) Employee hereby represents to the Company that the execution and delivery of this Agreement by Employee and the Company and the performance by Employee of Employee's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment or other agreement or policy to which Employee is a party or otherwise bound.

2. PERIOD OF EMPLOYMENT

The "Period of Employment" shall, unless sooner terminated as provided herein, be three (3) years commencing on May 1, 1999 (the "Effective Date") and ending with the close of business on April 30, 2002. Notwithstanding the preceding sentence, commencing with May 1, 2002 and on each May 1 thereafter (each an "Extension Date"), the Period of Employment shall be automatically extended for an additional one-year period, unless the Company or Employee provides the other party hereto sixty (60) days' prior written notice before the next scheduled Extension Date that the Period of Employment shall not be so extended (the "Non-Extension Notice"). The term "Period of Employment" shall include any extension that becomes applicable pursuant to the preceding sentence.

3. COMPENSATION

(a) BASE SALARY. During the Period of Employment, the Company shall pay
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Employee, and Employee agrees to accept from the Company, in payment for his services, a base salary of three hundred thousand dollars ($300,000) per year ("Base Salary"), payable in equal semi-monthly installments or at such other time or times as Employee and the Company shall agree. The Chief Executive Officer shall consider not less frequently than annually upward adjustment to Employee's Base Salary. The determination of whether Employee's Base Salary will be upwardly adjusted is within the sole and absolute discretion of the Chief Executive Officer except as otherwise provided in the Stockholders Agreement (as defined below). The Chief Executive Officer at any time or times may, but shall have no obligation to, supplement Employee's salary by such bonuses and/or other special payments and benefits as the Company in its sole and absolute discretion may determine.

(b) ANNUAL INCENTIVE COMPENSATION. During the Period of Employment,
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Employee shall be entitled to participate in any annual incentive or bonus plan or plans maintained by the Company for senior management employees of the Company generally, in accordance with the terms, conditions, and provisions of each such plan as the same may be changed, amended, or terminated, from time to time.

(c) EQUITY COMPENSATION. During the Period of Employment, Employee shall be
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entitled to participate in any equity-based plan or arrangement, including, but not limited to, stock options, stock appreciation rights, restricted stock, or other equity incentive plans or arrangements maintained by the Company for senior management employees of the Company generally, in accordance with the terms, conditions, and provisions of each such plan or arrangement as the same may be changed, amended, or terminated, from time to time.

(d) LOAN. A loan of two hundred thousand dollars ($200,000) will be made to the Employee upon signing of this Agreement. Said loan will be interest free and payable at the expiration of eight (8) years. Further, fifty thousand dollars ($50,000) will be forgiven on January 1, 2000. Additional amounts can be forgiven at the discretion of the Chief Executive Officer. Finally, in the event Employee is terminated by the Company for Cause or the Employee terminates his employment without Good Reason, all remaining loan amounts owed will be due and payable.

(e) CONTRACT REIMBURSEMENT. The Company shall reimburse Employee or directly pay for all reasonable consulting and legal fees and costs attributed to the development, reviews and modifications of this Agreement and associated consulting and legal services in accordance with the provisions of Section 4(d). Such fees and costs shall not exceed one thousand dollars ($1,000). This subsection (d) shall not be deemed to limit any of Employee's rights under Section 22 ("Attorneys' Fees").

4. BENEFITS

(a) HEALTH AND WELFARE. During the Period of Employment, Employee shall be entitled to participate in all health and welfare benefit plans and programs and all retirement, deferred compensation and similar plans and programs generally available to all other senior management employees of the Company or to all employees of the Company as in effect from time to time, subject to any restrictions specified in such plans and programs.

(b) FRINGE BENEFITS. During the Period of Employment, Employee shall be entitled to participate in all fringe benefit plans and programs generally available to all other senior management employees of the Company or to all employees of the Company as in effect from time to time, subject to any restrictions specified in such plans and programs.

(c) VACATION AND OTHER LEAVE. Employee shall be entitled to such amounts of paid vacation and other leave, but not less than four (4) weeks vacation per twelve-month period of employment, as from time to time may be allowed to the Company's senior management personnel generally, with such vacation to be scheduled and taken in accordance with the Company's standard vacation policies applicable to such personnel.

(d) BUSINESS EXPENSES. During the Period of Employment, reasonable business expenses incurred by Employee in the performance of Employee's duties hereunder shall be reimbursed by the Company in accordance with the Company's business expense reimbursement policies as in effect from time to time.

(e) AUTOMOBILE. To the extent provided to other senior officers or executives of the Company, during the Period of Employment, Employee shall be entitled to receive an automobile allowance or a leased automobile and reimbursement for expenses associated with the operation and maintenance of such automobile. The Company will reimburse Employee upon presentation of vouchers and documentation for any such operational and maintenance expenses which are consistent with the usual accounting procedures of the Company.

5. PUT AND CALL RIGHTS.

(a) EMPLOYEE'S STOCK. At any time, this Section 5 shall apply to all shares of the Company's common stock, par value one cent ($.01) per share, owned by Employee at that time ("Employee's Stock"). As of the date hereof, twenty thousand (20,000) shares of Employee's Stock ("Employee's Restricted Stock") consist of shares of the Company's common stock that were issued pursuant to the Company's 1998 Employee Stock Purchase Plan (the "Stock Purchase Plan") and the January 11, 1999 Restricted Stock Agreement between Employee and the Company (the "Restricted Stock Agreement"). The provisions of this Section 5 apply to Employee's Stock, including Employee's Restricted Stock, notwithstanding any provisions of the Stock Purchase Plan or the Restricted Stock Agreement to the contrary; provided, however, that the Stock Purchase Plan and the Restricted Stock Agreement shall otherwise continue in full force and effect with respect to the Employee's Restricted Stock to the extent not inconsistent with the express language of this Section 5.

(b) EMPLOYEE'S PUT RIGHT. If Employee's employment with the Company ends due to termination by the Company without Cause or resignation by Employee with Good Reason prior to a Qualified Public Offering, then Employee may cause the Company to purchase all or part of Employee's Stock (a "Put"), for a purchase price equal to Fair Market Value, by giving the Company notice (the "Put Notice") at any time within one-hundred eighty (180) days after such end of employment. The Put Notice shall state the number of shares of Employee's Stock with respect to which he is exercising a Put (the "Put Shares") and the Fair Market Value thereof in Employee's good faith opinion.

(c) COMPANY'S CALL RIGHT. If Employee's employment with the Company ends due to termination by the Company or resignation by Employee prior to a Qualified Public Offering, then the Company may purchase (i) in the case of termination by the Company for Cause or Employee's resignation without Good Reason, all or part of Employee's Stock, for a purchase price equal to (A) the lesser of Fair Market Value or ten dollars ($10.00) per share with respect to Unvested Employee's Stock and (B) Fair Market Value with respect to Vested Employee's Stock; or (ii) in the case of termination by the Company without Cause or Employee's resignation with Good Reason, up to but not exceeding sixty percent (60%) of Employee's Stock, for consideration equal to Fair Market Value; in each case (a "Call") by giving Employee notice (a "Call Notice") at any time within one-hundred eighty (180) days after such termination or resignation. The Call Notice shall state the number of shares of Employee's Stock with respect to which the Company is exercising a Call (the "Call Shares") and the Fair Market Value thereof in the Company's good faith opinion.

(d) PUT AND CALL RIGHTS UPON DEATH OR DISABILITY. Upon any termination of the Period of Employment and Employee's employment hereunder by reason of Employee's death or Permanent Disability, Employee or his estate shall have a Put right to cause the Company to purchase, and the Company shall have a Call right to purchase from Employee or his estate, all or part of such shares of Employee's Stock that have not been purchased by the Company or the Initial Founders (as defined in the Stockholders Agreement dated as of the date hereof, among the Company, Employee and certain other stockholders of the Company (the "Stockholders Agreement")) pursuant to Section 3.3 of the Stockholders Agreement, for consideration equal to Fair Market Value, in each case by giving notice to the other party

invoking this paragraph (d) (which notice shall be considered a Put Notice or Call Notice, as the case may be, for the purposes of this Agreement) within thirty (30) days after the date of the Transfer Notice (as defined in the Stockholders Agreement).

(e) FAIR MARKET VALUE. "Fair Market Value" means the fair market value, without minority discount, per share of the Company's common stock on the date of the Put Notice or the Call Notice, as the case may be, determined as follows: (i) first, Employee and the Company shall attempt in good faith to agree promptly upon the Fair Market Value; (ii) second, if Employee and the Company do not agree upon the Fair Market Value within ten (10) days after the Put Notice or the Call Notice, as the case may be, then Employee and the Company shall agree upon an independent appraiser to determine the Fair Market Value; and (iii) third, if Employee and the Company do not agree upon an independent appraiser within twenty (20) days after the Put Notice or the Call Notice, as the case may be, then Employee and the Company each shall promptly appoint one independent appraiser, and such appraisers shall promptly appoint a third independent appraiser, whereupon such third independent appraiser shall promptly make its independent determination of the fair market value of the Company's Common Stock, which determination shall be deemed the Fair Market Value; provided, however, that if the Company's common stock is listed and actively trading on the New York Stock Exchange, the American Stock Exchange or the National Market System of the Nasdaq Stock Market, then the Fair Market Value shall equal the average closing price of the Company's common stock on such market during the twenty (20) trading days prior to the date of the Put Notice or the Call Notice, as the case may be. The fees of any appraiser pursuant to subsection (e)(ii) shall be borne by the Company. The fees of each appraiser appointed by a party pursuant to subsection (e)(iii) shall be borne by the party that appointed such appraiser, and the fees of the third appraiser pursuant to subsection (e)(iii) shall be borne by the Company.

(f) PURCHASE. The closing of a Put or a Call, as the case may be, shall take place no later than fifteen (15) days after the determination of Fair Market Value under subsection (e) above (the "Closing"). At the Closing, the Company shall purchase from Employee, and Employee shall sell to the Company, the Put Shares or the Call Shares, as the case may be, and the Company shall pay to Employee in cash the purchase price specified above.

(g) VESTING OF EMPLOYEE'S STOCK. Employee's Stock shall be deemed to be vested ("Vested Employee's Stock") as follows: (i) one-third (1/3) of the shares of Employee's Stock owned by Employee as of the date hereof shall be deemed vested as of the date hereof; (ii) an additional [one-sixth (1/6)] of the shares of Employee's Stock owned by Employee as of the date hereof shall be deemed vested as of each of the next [four] anniversaries of the date of this Agreement; and (iii) all shares of Employee's Stock acquired by Employee after the date hereof shall thereupon be deemed fully vested for all purposes of this Agreement (unless such shares are restricted stock acquired under the Restricted Stock Plan or any similar plan, in which case such shares shall be subject to the vesting and other terms and conditions of the Restricted Stock Plan or other such plan, notwithstanding this clause (iii)). "Unvested Employee's Stock" means such shares of Employee's Stock that are not deemed vested under this subsection (g). The terms "vested" and "unvested" solely relate to the determination of the purchase price for Call Shares in the event of a Call by the Company due to the Company's termination of Employee's employment for Cause or Employee's resignation without Good Reason, and shall

not be construed to limit any ownership, voting or other rights of Employee with respect to any Employee's Stock.

(h) QUALIFIED PUBLIC OFFERING. As used in this Section 5, "Qualified Public Offering" means the sale, in an underwritten public offering, registered under the Securities Act of 1933, of shares of the Company's common stock, (A) immediately after which the number of shares of common stock then publicly held constitute at least twenty percent (20%) of the outstanding shares of common stock, on a fully diluted basis, and (B) which results in cash proceeds to the Company and/or its shareholders which, when aggregated with any cash proceeds paid to the Company and/or its shareholders in connection with any prior underwritten registered public offerings of the Company's common stock, equals or exceeds twenty-five million dollars ($25,000,000).

(i) RESTRICTION ON PUT AND CALL RIGHTS. Notwithstanding any other provision of this Agreement, if it is not possible for the Company to pay, in accordance with paragraph (f) above, the required cash consideration for any shares of Employee's Stock with respect to which Employee or the Company has attempted to exercise a Put or Call, as the case may be, without such payment constituting a default or an event of default or causing a mandatory prepayment requirement under the terms of any agreement for indebtedness of the Company or any of its subsidiaries to which the Company or any of its subsidiaries is a party, then Employee or the Company shall not have the right to exercise such Put or Call, as the case may be, with respect to such shares; provided, however, that if there are any such shares in the event of a Put, then Employee or his estate shall have the right to sell or otherwise dispose of such shares to a third party (the "Third Party Buyer") upon such terms as may be agreed upon by Employee or his estate and the Third Party Buyer, subject to the following procedure:

(i) Employee or his estate shall give each Evercore Stockholder (as such term is defined in the Stockholders Agreement) and the Initial Founders (collectively, the "Associated Buyers") written notice (the "Sale Notice") setting forth the name of the Third Party Buyer, the terms (including a description of the cash or other type of consideration to be paid) agreed upon by Employee or his estate and the Third Party Buyer (the "Sale Terms"), the number of shares of Employee's Stock to be sold (the "Sale Shares"), and the purchase price per share agreed upon by Employee or his estate and the Third Party Buyer (the "Sale Price").

(ii) Within thirty (30) days after the Sale Notice, an Associated Buyer shall have the right, by giving Employee or his estate written notice (the "Exercise Notice") invoking its rights under this subsection 5(j), to purchase, for the Sale Price and in accordance with the Sale Terms, a number of the Sale Shares equal to (A) a fraction, the numerator of which is the number of shares of the Company's common stock then owned of record by such Associated Buyer and the denominator of which is the aggregate number of shares then owned of record by the Associated Buyers, multiplied by (B) the number of Sale Shares. Any Sale Shares that an Associated Buyer would be entitled to purchase under this subsection 5(j) but for which such Associated Buyer did not give an Exercise Notice within such thirty (30)-day period may be purchased by the remaining Associated Buyers (by giving Employee or his estate supplemental written notice

within thirty-five (35) days of the Sale Notice) in such proportion as each such Associated Buyer's then current record ownership of the Company's common stock bears to the aggregate record ownership of the Company's common stock by all such remaining Associated Buyers.

(iii) If the Associated Buyers elect to purchase all of the Sale Shares in accordance with this subsection 5(j), then such purchase shall be consummated at the Sale Price and upon the Sale Terms within sixty (60) days after the Sale Notice. If the Associated Buyers do not elect to purchase all of the Sale Shares in accordance with this subsection 5(j), then Employee or his estate may transfer the Sale Shares to the Third Party Buyer, provided such transfer is for the Sale Price and in accordance with the Sale Terms.

6. DEATH OR DISABILITY

(a) DEFINITION OF PERMANENTLY DISABLED AND PERMANENT DISABILITY. For purposes of this Agreement, the terms "Permanently Disabled" and "Permanent Disability" shall mean Employee's inability, because of physical or mental illness or injury, to perform substantially all of his customary duties pursuant to this Agreement, and the continuation of such disabled condition for a period of ninety (90) continuous days, or for not less than one hundred eighty (180) days during any continuous twenty-four (24) month period. Whether Employee is Permanently Disabled shall be certified to the Company by a Qualified Physician (as hereinafter defined). The determination of the individual Qualified Physician shall be binding and conclusive for all purposes. As used herein, the term "Qualified Physician" shall mean any medical doctor who is licensed to practice medicine in the State of Employee's Residence. Employee and the Company may in any instance, and in lieu of a determination by a Qualified Physician, agree between themselves that Employee is Permanently Disabled. The terms "Permanent Disability" and "Permanently Disabled" as used herein may have meanings different from those used in any disability insurance policy or program maintained by Employee or the Company.

(b) VESTING ON DEATH OR DISABILITY. Upon any termination of the Period of Employment and Employee's employment hereunder by reason of Employee's death or Permanent Disability, as defined in Section 6(a) ("Death or Disability - Definition of Permanently Disabled and Permanent Disability"), any remaining Unvested Employee's Stock shall thereupon automatically be deemed Vested Employee's Stock, notwithstanding any other provision of this Agreement.

(c) TERMINATION DUE TO DEATH OR DISABILITY. If Employee dies or becomes Permanently Disabled during the Period of Employment, the Period of Employment and Employee's employment shall automatically cease and terminate as of the date of Employee's death or the date of Permanent Disability (which date shall be determined by the Qualified Physician or by agreement, under Section 6(a) above, and referred to as the "Disability Date"), as the case may be. In the event of the termination of the Period of Employment and Employee's employment hereunder due to Employee's death or Permanent Disability, Employee or his estate shall be entitled to receive:

(i) a lump sum cash payment, payable within ten (10) business days after termination of Employee's employment, equal to the sum of (A) any accrued but unpaid Base Salary as of the date of Employee's termination of employment hereunder and (B) any earned but unpaid annual incentive compensation in respect of the most recently completed fiscal year preceding Employee's termination of employment hereunder (the "Earned/Unpaid Annual Bonus"); and

(ii) a pro-rated portion of the target annual incentive compensation, if any, that Employee would have been entitled to receive pursuant to Section 3(b) in respect of the fiscal year in which termination of Employee's employment occurs, based upon the percentage of such fiscal year that shall have elapsed through the date of Employee's termination of employment, payable when such annual incentive would otherwise have been payable had Employee's employment not terminated; and

(iii) such employee benefits described in Sections 4(a), 4(b) and 4(c) ("Employee Benefits"), if any, as to which Employee may be entitled under the employee benefit plans and arrangements of the Company.

Notwithstanding any other provision of this Agreement, following such termination of Employee's employment due to Employee's death or Permanent Disability, except as set forth in Sections 6(b) and 6(c) and the Company's obligations under Section 5, and except for Employee's rights (if any) under the plans, arrangements and programs referenced in Sections 3(b), 3(c) and 4, Employee shall have no further rights to any compensation or other benefits under this Agreement.

In the event Employee's employment is terminated on account of Employee's Permanent Disability, he shall, so long as his Permanent Disability continues, remain eligible for all benefits provided under any long-term disability programs of the Company in effect at the time of such termination, subject to the terms and conditions of any such programs, as the same may be changed, modified, or terminated for or with respect to all senior management personnel of the Company.

7. TERMINATION BY THE COMPANY

(a) TERMINATION FOR CAUSE. The Company may, by providing written notice to Employee, terminate the Period of Employment and Employee's employment hereunder for Cause at any time. The term "Cause" for purpose of this Agreement shall mean:

(i) Employee's conviction of or entrance of a plea of guilty or nolo contendere to a felony; or

(ii) fraudulent conduct by Employee in connection with the business affairs of the Company; or

(iii) theft, embezzlement, or other criminal misappropriation of funds by Employee from the Company; or

(iv) Employee's continued and substantial failure to perform the duties hereunder (other than as a result of total or partial incapacity due to physical illness), which failure is not cured within thirty (30) days following written notice by the Company to Employee of such failure; provided, however, that (A) it shall not be Cause if Employee is making good faith efforts to perform duties and (B) this provision shall not apply to any qualitative dissatisfaction by the Company with Employee's performance of his duties hereunder; or

(v) Employee's continued breach of the provisions of Sections 12 and 13 of this Agreement, which breach is not cured within thirty (30) days following written notice by the Company to Employee of such breach.

If Employee's employment is terminated for Cause, the termination shall take effect on the effective date (pursuant to Section 24 ("Notices")) of written notice of such termination to Employee.

In the event of the termination of the Period of Employment and Employee's employment hereunder due to a termination by the Company for Cause, then Employee shall be entitled to receive: (i) a lump sum cash payment, payable within ten (10) business days after termination of Employee's employment equal to the sum of (A) accrued but unpaid Base Salary as of the date of termination of Employee's employment hereunder and (B) any Earned/Unpaid Annual Bonus; and (ii) such Employee Benefits, if any, as to which Employee may be entitled under the employee benefit plans and arrangements of the Company.

Notwithstanding any other provision of this Agreement, following such termination of Employee's employment due to termination by the Company for Cause, except as set forth in this Section 7(a), and except for Employee's rights (if any) under the plans, arrangements and programs referenced in Sections 3(b), 3(c) and 4, Employee shall have no further rights to any compensation or other benefits under this Agreement.

If the Company attempts to terminate Employee's employment pursuant to this Section 7(a) and it is ultimately determined that the Company lacked Cause, the provisions of Section 7(b) ("Termination by the Company-Termination Without Cause") shall apply and, in addition to any other remedies that Employee may have, Employee shall be entitled to receive the payments called for by Section 7(b) ("Termination by the Company-Termination Without Cause") with interest on any past due payments at the rate of eight percent (8%) per year from the date on which the applicable payment would have been made pursuant to Section 7(b) ("Termination by the Company-Termination Without Cause") plus Employee's costs and expenses (including but not limited to reasonable attorneys' fees) incurred in connection with such dispute.

(b) TERMINATION WITHOUT CAUSE. The Company may, with or without reason, terminate the Period of Employment and Employee's employment hereunder without Cause at any time, by providing Employee written notice of such termination. In the event of the termination of the Period of Employment and Employee's employment hereunder due to a

termination by the Company without Cause (other than due to Employee's death or Permanent Disability), then Employee shall be entitled to receive:

(i) a lump sum cash payment equal to the sum of (A) any accrued but unpaid Base Salary as of the date of Employee's termination of employment hereunder, (B) the Earned/Unpaid Annual Bonus, if any, (C) the target annual incentive compensation, if any, that Employee would have been entitled to receive pursuant to Section 3(b) in respect of the fiscal year in which termination of Employee's employment occurs and (D) an amount equal to the product of (x) the Employee's then current Base Salary times (y) the greater of (I) three (3) or (II) the number of years (including fractions thereof) remaining in the Period of Employment as of the date of Employee's termination of employment (determined without regard to Employee's termination of employment and without regard to any further extensions pursuant to Section 2). The lump sum cash payment shall be made in two installments with fifty percent (50%) of the lump sum payable within ten (10) business days after termination of Employee's employment and, provided Employee is in compliance with Section 12 of the Agreement ("Non- Competition"), fifty percent (50%) plus interest at a rate of eight percent (8%) per year from the date of Employee's termination of employment payable one (1) year after the date of Employee's termination of employment; except in the event that Employee terminates his Employment pursuant to Section 8(b)(iv) ("Termination by Employee-Termination for Good Reason - Change of Control"), wherein one hundred percent (100%) of the lump sum cash payment shall be made within ten (10) business days after termination of Employee's employment;

(ii) such Employee Benefits, if any, as to which Employee may be entitled under the employee benefit plans and arrangements of the Company; and

(iii) continued participation in the Company's group health insurance plans at the Company's expense until the earlier of (A) the expiration of the three (3) years from the effective date of termination or (B) Employee's eligibility for participation in the group health plan of a subsequent employer or entity for which Employee provides consulting services;

provided, however, that the amount otherwise payable to Employee pursuant to Section 7(b)(i)(D) shall be reduced by the amount of any cash severance or termination benefits paid to Employee under any other severance plan, severance program or severance arrangement of the Company and its affiliates (but not reduced by any other payment to Employee whatsoever, including (without limitation) any payment by the Company or any affiliate of the Company in consideration of stock or any other property, whether pursuant to Section 5 of this Agreement or otherwise).

Notwithstanding any other provision of this Agreement, following such termination of Employee's employment due to termination by the Company without Cause, except as set forth in this Section 7(b) and the Company's obligations under Section 5, and except for Employee's rights (if any) under the plans, arrangements and programs referenced in Sections 3(b), 3(c) and 4, Employee shall have no further rights to any compensation or other benefits under this Agreement.

8. TERMINATION BY EMPLOYEE

(a) TERMINATION WITHOUT GOOD REASON. Employee shall have the right to terminate the Period of Employment and Employee's employment hereunder at any time without Good Reason (as defined below) upon thirty (30) days prior written notice of such termination to the Company. Any such termination by the Employee without Good Reason shall be treated for all purposes of this Agreement as a termination by the Company for Cause and the provisions of Section 7(a) shall apply.

(b) TERMINATION WITH GOOD REASON. The Employee may terminate the Period of Employment and resign from employment hereunder for "Good Reason":

(i) if the Company requires Employee to relocate his principal office to a location outside of Houston, Texas, without Employee's consent; or

(ii) if the Company fails to provide Employee with the compensation and benefits called for by this Agreement; or

(iii) if the Company (A) assigns Employee to a position other than Executive Vice President reporting directly to the Chief Executive Officer, or substantially diminishes Employee's assignment, duties, responsibilities, or operating authority from those specified in Section 1 ("Duties"); or

(iv) for any reason following a Change of Control, provided, however, that Employee remains employed by the Company for the six (6) months following a Change of Control and notifies the Company in writing (pursuant to Section 24 ("Notices")) within thirty (30) days after the expiration of the six-month period following the Change of Control of his decision to terminate his employment. In such case, Employee's employment will terminate thirty (30) days after giving said notice; or

(v) if the Company materially breaches any provision of this Agreement; or

(vi) if at any time during the term of this Agreement, either (A) Donald B. Murray, (B) an Initial Founder (as defined in the Stockholders Agreement), or (C) Employee is not the Chief Executive Officer of the Company reporting directly to the Board, provided, however, that Employee remains employed by the Company for the six (6) months following the occurrence of the condition and notifies the Company in writing (pursuant to Section 24 ("Notices")) within thirty (30) days after the expiration of the six-month period of his decision to terminate his employment. In such case, Employee's employment will terminate thirty (30) days after giving said notice; provided, however, that Employee shall be entitled to only sixty-six percent (66%) of any amounts payable under Section 7(b)(i) ("Termination without Cause") in the event that Donald B. Murray has ceased to be Chief Executive Officer for any reason

other than the Company's termination of his employment without Cause or his resignation for Good Reason

provided, however, that none of the events described in Subsection 8(b)(ii), 8(b)(iii) or 8(b)(v) shall constitute Good Reason unless Employee shall have notified the Company in writing describing the events which constitute Good Reason and then only if the Company shall have failed to cure such event within thirty (30) days after the Company's receipt of such written notice.

Any such termination by Employee for Good Reason shall be treated for all purposes of this Agreement as a termination by the Company without Cause and the provisions of Section 7(b) shall apply; provided, however, that if Employee attempts to resign for Good Reason pursuant to this Section 8(b) and it is ultimately determined that Good Reason did not exist, Employee shall be deemed to have resigned from employment without Good Reason and the provisions of Section 8(a) ("Termination Without Good Reason") and, by reference therein, the provisions of Section 7(a) ("Termination For Cause"), shall apply.

For purposes of this Agreement, a "Change of Control" shall be deemed to have occurred upon the occurrence of the following: Evercore Capital Partners L.P., directly or through its affiliates that are or have become parties to the Stockholders Agreement, ceases to own at least fifty percent (50%) of the Company's Voting Securities after giving effect to Section 4.8(a) of the Stockholders Agreement, (i) as a result of or in connection with any transaction or event including (without limitation), (A) in connection with a merger or consolidation involving the Company or a subsidiary of the Company, or (B) the divestment by the Company or a subsidiary of the Company, by sale, liquidation, foreclosure or any other means, of all or substantially all of its assets or business as held or conducted as of the date hereof, but (ii) notwithstanding the foregoing clause (i), not solely as a result of a Qualified Public Offering. "Voting Securities" means securities of the Company entitled to vote in the election of the Company's directors.

9. EXPIRATION OF PERIOD OF EMPLOYMENT

(a) ELECTION NOT TO EXTEND PERIOD OF EMPLOYMENT. If either party elects not to extend the Period of Employment pursuant to Section 2, unless Employee's employment is earlier terminated pursuant to Sections 6, 7 or 8, termination of Employee's employment hereunder shall be deemed to occur on the close of business on the day immediately preceding the anniversary of the next Extension Date following the delivery of the Non-Extension Notice pursuant to Section 2. If the Company elects not to extend the Period of Employment, Employee's termination will be treated for all purposes under this Agreement as a termination by the Company without Cause under Section 7(b). If Employee elects not to extend the Period of Employment, Employee's termination will be treated for all purposes under this Agreement as a termination by Employee without Good Reason under Section 8(a).

(b) CONTINUED EMPLOYMENT BEYOND EXPIRATION OF PERIOD OF EMPLOYMENT. Unless the parties otherwise agree in writing, continuation of Employee's employment with the Company beyond expiration of the Period of Employment shall be deemed an employment at will and shall not be deemed to extend any of the provisions of this Agreement

and Employee's employment may thereafter be terminated at will by either Employee or the Company; provided, however, that the provisions of Sections 12, 13 and 14 shall survive any termination of this Agreement or Employee's termination of employment hereunder.

10. GROSS-UP

Notwithstanding any other provision of this Agreement, if and to the extent any payment made under this Agreement, either alone or in conjunction with other payments Employee has the right to receive either directly or indirectly from the Company, would constitute an "excess parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended, then Employee shall be entitled to receive an excise tax gross-up payment not exceeding seven hundred fifty thousand dollars ($750,000) in accordance with Appendix A. However, in an effort to preserve acquirer's complete deductibility and pay no gross up, all parties will put forth a "best faith effort" to insure all monies payable are, in fact, reasonable under Section 280G and Section 162 of the Internal Revenue Code of 1986, as amended.

11. MEANS AND EFFECT OF TERMINATION

Any termination of Employee's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. The notice of termination shall indicate the specific provision(s) of this Agreement relied upon in effecting the termination and shall set forth in reasonable detail the facts and circumstances alleged to provide a basis for termination, if any such basis is required by the applicable provision(s) of this Agreement.

12. NON-COMPETITION

Employee acknowledges and recognizes the highly competitive nature of the businesses of the Company and its affiliates and accordingly agrees as follows:

(a) During the Period of Employment and, for a period of two (2) years following the date Employee ceases to be employed by the Company for any reason (the "Restricted Period"), Employee will not, directly or indirectly, (i) engage in any business for Employee's own account that competes with the business of the Company or its affiliates (with the exception of consulting, but including, without limitation, businesses which the Company or its affiliates have specific plans to conduct in the future and as to which Employee is aware of such planning), (ii) enter the employ of, or render any services (other than consulting) to any person engaged in any business that competes with the business of the Company or its affiliates, (iii) acquire a financial interest in any person engaged in any business that competes with the business of the Company or its affiliates, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant, or (iv) interfere with business relationships (whether formed before or after the date of this Agreement) between the Company or any of its affiliates and customers, suppliers, partners, members or investors of the Company or its affiliates.

(b) Notwithstanding anything to the contrary in this Agreement, Employee may, directly or indirectly, own, solely as an investment, securities of any person engaged in the business of the Company or its affiliates which are publicly traded on a national or regional stock

exchange or on an over-the- counter market if Employee (i) is not a controlling person of, or a member of a group which controls, such person and (ii) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such person.

(c) During the Restricted Period, Employee will not, directly or indirectly, (i) solicit or encourage any employee of the Company or its affiliates to leave the employment of the Company or its affiliates, or (ii) hire any such employee who was employed by the Company or its affiliates as of the date of Employee's termination of employment with the Company or who left the employment of the Company or its affiliates within one (1) year prior to or after the termination of Employee's employment with the Company.

(d) During the Restricted Period, Employee will not, directly or indirectly, solicit or encourage to cease to work with the Company or its affiliates any consultant then under contract with the Company or its affiliates.

(e) It is expressly understood and agreed that although Employee and the Company consider the restrictions contained in this Section 12 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against Employee, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

13. CONFIDENTIALITY.

Employee will not at any time (whether during or after his employment with the Company), unless compelled by lawful process, disclose or use for his own benefit or purposes or the benefit or purposes of any other person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise other than the Company and any of its subsidiaries or affiliates, any trade secrets, or other confidential data or information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans, or the business and affairs of the Company generally, or of any subsidiary or affiliate of the Company; provided that the foregoing shall not apply to information which is not unique
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to the Company or which is generally known to the industry or the public other than as a result of Employee's breach of this covenant. Employee agrees that upon termination of his employment with the Company for any reason, he will return to the Company immediately all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, except that he may retain personal notes, notebooks and diaries that do not contain confidential information of the type described in the preceding sentence. Employee further agrees that he will not retain or use for his account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of the Company or its affiliates.

14. SPECIFIC PERFORMANCE

Employee acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 12 or Section 13 would be inadequate and, in recognition of this fact, Employee agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

15. ASSIGNMENT

This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that, in the event of a merger, consolidation, or transfer or sale of all or substantially all of the assets of the Company with or to any other individual(s) or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

16. GOVERNING LAW

This Agreement and the legal relations hereby created between the parties hereto shall be governed by and construed under and in accordance with the internal laws of the State of Texas, without regard to conflicts of laws principles thereof.

17. ENTIRE AGREEMENT

This Agreement embodies the entire agreement of the parties hereto respecting the matters within its scope. This Agreement supersedes all prior agreements of the parties hereto on the subject matter hereof. Any prior negotiations, correspondence, agreements, proposals, or understandings relating to the subject matter hereof shall be deemed to be merged into this Agreement and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as set forth herein.

18. MODIFICATIONS

This Agreement shall not be modified by any oral agreement, either express or implied, and all modifications hereof shall be in writing and signed by the parties hereto.

19. WAIVER

Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

20. NUMBER AND GENDER

Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

21. SECTION HEADINGS

The section headings in this Agreement are for the purpose of convenience only and shall not limit or otherwise affect any of the terms hereof.

22. ATTORNEYS' FEES

Employee and the Company agree that in any dispute resolution proceedings arising out of this Agreement, the prevailing party shall be entitled to its or his reasonable attorneys' fees and costs incurred by it or him in connection with resolution of the dispute in addition to any other relief granted.

23. SEVERABILITY

In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any statute or public policy, then only the portions of this Agreement which violate such statute or public policy shall be stricken, and all portions of this Agreement which do not violate any statute or public policy shall continue in full force and effect. Furthermore, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

24. NOTICES

All notices under this Agreement shall be in writing and shall be either personally delivered or mailed postage prepaid, by certified mail, return receipt requested:

(a) if to the Company:

RC Transaction Corp.
c/o Re:sources Connection LLC
3 Imperial Promenade, Suite 600
Santa Ana, California 92707-5902
Attn: Donald B. Murray

With copies to:

David A. Krinsky, Esq.
O'Melveny & Myers LLP
610 Newport Center Drive, Suite 1700
Newport Beach, California 92660

Mario A. Ponce, Esq.
Simpson Thacher & Bartlett
425 Lexington Avenue, 26th Floor
New York, NY 10017

Evercore Capital Partners, L.P.
65 East 55th Street
33rd Floor
New York, New York 10022
Attn: David G. Offensend

(b) if to Employee:

Brent M. Longnecker
RC Transaction Corp.
c/o Re:sources Connection LLC
333 Clay Street
Houston, Texas 77002-4196

With a copy to:

David A. Krinsky, Esq.
O'Melveny & Myers LLP
610 Newport Center Drive, Suite 1700
Newport Beach, California 92660

Notice shall be effective when personally delivered, or five (5) business days after being so mailed.

25. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

26. WITHHOLDING TAXES

The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company and Employee have executed this Employment Agreement as of the date first above written.

THE COMPANY:

By: /s/ Donald B. Murray

Name: Donald B. Murray

Title: President

EMPLOYEE:

/s/ Brent M. Longnecker

Brent M. Longnecker

APPENDIX A

(Gross-Up Provisions)

(a) In the event it is determined (pursuant to (b) below) or finally determined (as defined in (c)(iii) below) that any payment, distribution, transfer, benefit or other event with respect to the Company or a successor, direct or indirect subsidiary or affiliate of the Company (or any successor of affiliate of any of them, and including any benefit plan of any of them), and arising in connection with an event described in Section 280G(b)(2)(A)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), occurring after the Effective Date, to or for the benefit Employee or Employee's dependents, heirs or beneficiaries (whether such payment, distribution, transfer, benefit or other event occurs pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Appendix A) (each a "Payment" and collectively the "Payments") is or was subject to the excise tax imposed by Section 4999 of the Code, and any successor provision or any comparable provision of state or local income tax law (collectively, "Section 4999"), or any interest, penalty or addition to tax is or was incurred by Employee with respect to such excise tax (such excise tax, together with any such interest, penalty, addition to tax, and costs (including professional fees)) hereinafter collectively referred to as the "Excise Tax"), then, within 10 days after such determination or final determination, as the case may be, the Company shall pay to Employee (or to the applicable taxing authority on Employee's behalf) an additional cash payment (hereinafter referred to as the "Gross-Up Payment") equal to the lesser of (i) $750,000 or (ii) an amount such that after payment by Employee of all taxes, interest, penalties, additions to tax and costs imposed or incurred with respect to the Gross-Up Payment (including, without limitation, any income and excise taxes imposed upon the Gross-Up Payment), Employee retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon such Payment or Payments. Subject to the limitations in clause (i) of the preceding sentence, this provision is intended to put Employee in the same position as Employee would have been had no Excise Tax been imposed upon or incurred as a result of any Payment.

(b) Except as provided in subsection (c) below, the determination that a Payment is subject to an Excise Tax shall be made in writing by a certified public accounting firm selected by Employee ("Employee's Accountant"). Such determination shall include the amount of the Gross-Up Payment and detailed computations thereof, including any assumptions used in such computations (the written determination of the Employee's Accountant, hereinafter, the "Employee's Determination"). The Employee's Determination shall be reviewed on behalf of the Company by a certified public accounting firm selected by the Company (the "Company's Accountant"). The Company shall notify Employee within 10 business days after receipt of the Employee's Determination of any disagreement or dispute therewith, and failure to so notify within that period shall be considered an agreement by the Company to make payment as provided in subsection (a) above within 10 days from the expiration of such 10 business-day period. In the event of an objection by the Company to the Employee's Determination, any amount not in dispute shall be paid within 10 days following the 10 business-day period referred to herein, and with respect to the amount in dispute the Employee's Accountant and the Company's Accountant shall jointly select a third nationally recognized certified public accounting firm to resolve the dispute and the decision of such third firm shall be final, binding and conclusive upon the Employee and the Company. In such a case, the third accounting firm's

findings shall be deemed the binding determination with respect to the amount in dispute, obligating the Company to make any payment as a result thereof within 10 days following the receipt of such third accounting firm's determination. All fees and expenses of each of the accounting firms referred to in this Appendix A shall be borne solely by the Company.

(c) (i) Employee shall notify the Company in writing of any claim by the Internal Revenue Service (or any successor thereof) or any state or local taxing authority (individually or collectively, the "Taxing Authority") that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 30 days after Employee receives written notice of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid; provided, however, that failure by Employee to give such notice within such 30-day period shall not result in a waiver or forfeiture of any of Employee's rights under Section 10 and this Appendix A except to the extent of actual damages suffered by the Company as a result of such failure. Employee shall not pay such claim prior to the expiration of the 15-day period following the date on which Employee gives such notice to the Company (or such shorter period ending on the date that any payment of taxes, interest, penalties or additions to tax with respect to such claim is due). If the Company notifies Employee in writing prior to the expiration of such 15-day period (regardless of whether such claim was earlier paid as contemplated by the preceding parenthetical) that it desires to contest such claim (and demonstrates to the reasonable satisfaction of Employee its ability to make the payments to Employee which may ultimately be required under this section before assuming responsibility for the claim), Employee shall:

(A) give the Company any information reasonably requested by the Company relating to such claim;

(B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Company that is reasonably acceptable to Employee;

(C) cooperate with the Company in good faith in order effectively to contest such claim; and

(D) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all attorneys fees, costs and expenses (including additional interest, penalties and additions to tax) incurred in connection with such contest and shall indemnify and hold Employee harmless, on an after-tax basis, for all taxes (including, without limitation, income and excise taxes), interest, penalties and additions to tax imposed in relation to such claim and in relation to the payment of such costs and expenses or indemnification. Without limitation on the foregoing provisions of this Appendix A, and to the extent its actions do not unreasonably interfere with or prejudice Employee's disputes with the Taxing Authority as to other issues, the Company shall control all proceedings taken in

connection with such contest and, in its reasonable discretion, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the Taxing Authority in respect of such claim and may, at its sole option, either direct Employee to pay the tax, interest or penalties claimed and sue for a refund or contest the claim in any permissible manner, and Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Employee to pay such claim and sue for a refund, the Company shall advance an amount equal to such payment to Employee, on an interest-free basis, and shall indemnify and hold Employee harmless, on an after-tax basis, from all taxes (including, without limitation, income and excise taxes), interest, penalties and additions to tax imposed with respect to such advance or with respect to any imputed income with respect to such advance, as any such amounts are incurred; and, further, provided, that any extension of the statute of limitations relating to payment of taxes, interest, penalties or additions to tax for the taxable year of Employee with respect to which such contested amount is claimed to be due is limited solely to such contested amount; and, provided, further, that any settlement of any claim shall be reasonably acceptable to Employee and the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and Employee shall be entitled to settle or contest, as the case may be, any other issue.

(ii) If, after receipt by Employee of an amount advanced by the Company pursuant to paragraph (c)(i), Employee receives any refund with respect to such claim, Employee shall (subject to the Company's complying with the requirements of this Appendix A) promptly pay to the Company an amount equal to such refund (together with any interest paid or credited thereof after taxes applicable thereto), net of any taxes (including, without limitation, any income or excise taxes), interest, penalties or additions to tax and any other costs incurred by Employee in connection with such advance, after giving effect to such repayment. If, after the receipt by Employee of an amount advanced by the Company pursuant to paragraph (c)(i), it is finally determined that Employee is not entitled to any refund with respect to such claim, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall be treated as a Gross-Up Payment and shall offset, to the extent thereof, the amount of any Gross-Up Payment otherwise required to be paid.

(iii) For purposes of this Appendix A, whether the Excise Tax is applicable to a Payment shall be deemed to be "finally determined" upon the earliest of: (A) the expiration of the 15-day period referred to in paragraph (c)(i) above if the Company has not notified Employee that it intends to contest the underlying claim, (B) the expiration of any period following which no right of appeal exists, (C) the date upon which a closing agreement or similar agreement with respect to the claim is executed by Employee and the Taxing Authority

(which agreement may be executed only in compliance with this Appendix A), (D) the receipt by Employee of notice from the Company that it no longer seeks to pursue a contest (which shall be deemed received if the Company does not, within 15 days following receipt of a written inquiry from Employee, affirmatively indicate in writing to Employee that the Company intends to continue to pursue such contest).

(d) As a result of uncertainty in the application of Section 4999 that may exist at the time of any determination that a Gross-Up Payment is due, it may be possible that in making the calculations required to be made hereunder, the parties or their accountants shall determine that a Gross-Up Payment need not be made (or shall make no determination with respect to a Gross-Up Payment) that properly should be made ("Underpayment"), or that a Gross-Up Payment not properly needed to be made should be made ("Overpayment"). The determination of any Underpayment shall be made using the procedures set forth in paragraph (b) above and shall be paid to Employee as an additional Gross-Up Payment. The Company shall be entitled to use procedures similar to those available to Employee in paragraph (b) to determine the amount of any Overpayment (provided that the Company shall bear all costs of the accountants as provided in paragraph (b)). In the event of a determination that an Overpayment was made, any such Overpayment shall be treated for all purposes as a loan to Employee with interest at the applicable Federal rate provided for in Section 1274(d) of the Code; provided, however, that the amount to be repaid by Employee to the Company shall be subject to reduction to the extent necessary to put Employee in the same after-tax position as if such Overpayment were never made.

EXHIBIT 10.7

CREDIT AGREEMENT

among

RC TRANSACTION CORP.,

RCLLC ACQUISITION CORP.,

RE:SOURCES CONNECTION LLC,

VARIOUS LENDERS,

BANKERS TRUST COMPANY,
as ADMINISTRATIVE AGENT and LEAD ARRANGER,

BANKBOSTON, N.A.,
as SYNDICATION AGENT,

and

U.S. BANK NATIONAL ASSOCIATION,
as DOCUMENTATION AGENT

Dated as of April 1, 1999

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CREDIT AGREEMENT, dated as of April 1, 1999, among RC TRANSACTION CORP., a Delaware corporation ("Holdings"), RCLLC ACQUISITION CORP., a Delaware corporation ("Acquisition Corp."), RESOURCES CONNECTION LLC, a Delaware limited liability company ("Resources"), the Lenders party hereto from time to time, BANKERS TRUST COMPANY, as Administrative Agent and Lead Arranger (in such capacity, the "Administrative Agent"), U.S. BANK NATIONAL ASSOCIATION, as Documentation Agent (in such capacity, the "Documentation Agent"), and BANKBOSTON, N.A., as Syndication Agent (in such capacity, the "Syndication Agent") (all capitalized terms used herein and defined in Section 11 are used herein as therein defined).

WITNESSETH:

WHEREAS, subject to and upon the terms and conditions set forth herein, the Lenders are willing to make available to the Borrower the respective credit facilities provided for herein;

NOW, THEREFORE, IT IS AGREED:

SECTION 1. Amount and Terms of Credit.

1.01 The Commitments. (a) Subject to and upon the terms and conditions set forth herein, each Lender with a Term Loan Commitment severally agrees to make a term loan (each a "Term Loan" and, collectively, the "Term Loans") to the Borrower, which Term Loans (i) only may be incurred by the Borrower on the Initial Borrowing Date, (ii) shall, at the option of the Borrower, be incurred and maintained as, and/or converted into, Base Rate Loans or Eurodollar Loans, provided that, except as otherwise specifically provided in Section 1.10(b), all Term Loans comprising the same Borrowing shall at all times be of the same Type, and (iii) shall be made by each such Lender in that aggregate principal amount which does not exceed the Term Loan Commitment of such Lender on the Initial Borrowing Date (before giving effect to the termination thereof on such date pursuant to Section 3.03(b)). Once repaid, Term Loans incurred hereunder may not be reborrowed.

(b) Subject to and upon the terms and conditions set forth herein, each Lender with a Revolving Loan Commitment severally agrees to make, at any time and from time to time on or after the Initial Borrowing Date and prior to the Revolving Loan Maturity Date, a revolving loan or revolving loans (each a "Revolving Loan" and, collectively, the "Revolving Loans") to the Borrower, which Revolving Loans (i) shall at the option of the Borrower, be incurred and maintained as, and/or converted into, Base Rate Loans or Eurodollar Loans, provided that, except as otherwise specifically provided in Section 1.10(b), all Revolving Loans comprising the same Borrowing shall at all times be of the same Type, (ii) may be repaid and reborrowed in accordance with the provisions hereof, (iii) shall not exceed for any such Lender at any time outstanding that aggregate principal amount which, when added to the product of (x) such Lender's RL Percentage and (y) the sum of (I) the aggregate amount of all Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid with the proceeds of, and simultaneously with

the incurrence of, the respective incurrence of Revolving Loans) at such time, and (II) the aggregate principal amount of all Swingline Loans (exclusive of Swingline Loans which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) then outstanding, equals the Revolving Loan Commitment of such Lender at such time, and (iv) shall not exceed for all such Lenders at any time outstanding that aggregate principal amount which, when added to the sum of (1) the aggregate amount of all Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) at such time and (II) the aggregate principal amount of all Swingline Loans (exclusive of Swingline Loans which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) then outstanding, equals the Total Revolving Loan Commitment at such time.

(c) Subject to and upon the terms and conditions set forth herein, the Swingline Lender agrees to make, at any time and from time to time on or after the Initial Borrowing Date and prior to the Swingline Expiry Date, a revolving loan or revolving loans (each a "Swingline Loan" and, collectively, the "Swingline Loans") to the Borrower, which Swingline Loans (i) shall be made and maintained as Base Rate Loans, (ii) may be repaid and reborrowed in accordance with the provisions hereof, (iii) shall not exceed in aggregate principal amount at any time outstanding, when combined with the aggregate principal amount of all Revolving Loans then outstanding and the aggregate amount of all Letter of Credit Outstandings at such time, an amount equal to the Total Revolving Loan Commitment at such time, and (iv) shall not exceed in aggregate principal amount at any time outstanding the Maximum Swingline Amount. Notwithstanding anything to the contrary contained in this Section 1.01(c), (i) the Swingline Lender shall not be obligated to make any Swingline Loans at a time when a Lender Default exists unless the Swingline Lender has entered into arrangements satisfactory to it and the Borrower to eliminate the Swingline Lender's risk with respect to the Defaulting Lender's or Lenders' participation in such Swingline Loans, including by cash collateralizing such Defaulting Lender's or Lenders' RL Percentage of the outstanding Swingline Loans and (ii) the Swingline Lender shall not make any Swingline Loan after it has received written notice from the Borrower or the Required Lenders stating that a Default or an Event of Default exists and is continuing until such time as the Swingline Lender have received written notice (A) of rescission of all such notices from the party or parties originally delivering such notice or notices or (B) of the waiver of such Default or Event of Default by the Required Lenders.

(d) On any Business Day, the Swingline Lender may, in its sole discretion, give notice to the RL Lenders that the Swingline Lender's outstanding Swingline Loans shall be funded with one or more Borrowings of Revolving Loans (provided that such notice shall be deemed to have been
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automatically given upon the occurrence of a Default or an Event of Default under Section 10.05 or upon the exercise of any of the remedies provided in the last paragraph of Section 10), in which case one or more Borrowings of Revolving Loans constituting Base Rate Loans (each such Borrowing, a "Mandatory Borrowing") shall be made on the immediately succeeding Business Day by all RL Lenders pro rata based on each such RL Lender's RL Percentage (determined before
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giving effect to any termination of the Revolving Loan Commitments pursuant to the last paragraph of Section 10) and the proceeds thereof shall be applied directly by the Swingline Lender to repay the Swingline Lender for such outstanding

Swingline Loans. Each RL Lender hereby irrevocably agrees to make Revolving Loans upon one Business Day's notice pursuant to each Mandatory Borrowing in the amount and in the manner specified in the preceding sentence and on the date specified in writing by the Swingline Lender notwithstanding (i) the amount of the Mandatory Borrowing may not comply with the Minimum Borrowing Amount otherwise required hereunder, (ii) whether any conditions specified in Section 6 are then satisfied, (iii) whether a Default or an Event of Default then exists, (iv) the date of such Mandatory Borrowing and (v) the amount of the Total Revolving Loan Commitment at such time. In the event that any Mandatory Borrowing cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code with respect to the Borrower), then each RL Lender hereby agrees that it shall forthwith purchase (as of the date the Mandatory Borrowing would otherwise have occurred, but adjusted for any payments received from the Borrower on or after such date and prior to such purchase) from the Swingline Lender such participations in the outstanding Swingline Loans as shall be necessary to cause the RL Lenders to share in such Swingline Loans ratably based upon their respective RL Percentages (determined before giving effect to any termination of the Revolving Loan Commitments pursuant to the last paragraph of Section 10), *provided* that (x) all interest payable on the Swingline Loans shall be for the account of the Swingline Lender until the date as of which the respective participation is required to be purchased and, to the extent attributable to the purchased participation, shall be payable to the participant from and after such date and (y) at the time any purchase of participations pursuant to this sentence is actually made, the purchasing RL Lender shall be required to pay the Swingline Lender interest on the principal amount of participation purchased for each day from and including the day upon which the Mandatory Borrowing would otherwise have occurred to but excluding the date of payment for such participation, at the overnight Federal Funds Rate for the first three days and at the rate otherwise applicable to Revolving Loans maintained as Base Rate Loans hereunder for each day thereafter.

1.02 *Minimum Amount of Each Borrowing*. The aggregate principal amount of each Borrowing of Loans under a respective Tranche shall not be less than the Minimum Borrowing Amount applicable to such Tranche. More than one Borrowing may occur on the same date, but at no time shall there be outstanding more than ten Borrowings of Eurodollar Loans.

1.03 *Notice, of Borrowing*. (a) Whenever the Borrower desires to incur (x) Eurodollar Loans hereunder, the Borrower shall give the Administrative Agent at the Notice Office at least three Business Days' prior notice of each Eurodollar Loan to be incurred hereunder and (y) Base Rate Loans hereunder (excluding Swingline Loans and Revolving Loans made pursuant to a Mandatory Borrowing), the Borrower shall give the Administrative Agent at the Notice Office at least one Business Day's prior notice of each Base Rate Loan to be incurred hereunder, *provided* that (in each case) any such notice shall be deemed to have been given on a certain day only if given before 11:00 A.M. (New York time) on such day. Each such notice (each a "Notice of Borrowing"), except as otherwise expressly provided in Section 1.10, shall be irrevocable and shall be given by the Borrower in writing, or by telephone promptly confirmed in writing, in the form of Exhibit A, appropriately completed to specify the aggregate principal amount of the Loans to be incurred pursuant to such Borrowing, the date of such Borrowing (which shall be a Business Day), whether the Loans being incurred pursuant to such Borrowing

shall constitute Term Loans or Revolving Loans and whether the Loans being incurred pursuant to such Borrowing are to be initially maintained as Base Rate Loans or, to the extent permitted hereunder, Eurodollar Loans and, if Eurodollar Loans, the initial Interest Period to be applicable thereto. The Administrative Agent shall promptly give each Lender which is required to make Loans of the Tranche specified in the respective Notice of Borrowing, notice of such proposed Borrowing, of such Lender's proportionate share thereof and of the other matters required by the immediately preceding sentence to be specified in the Notice of Borrowing.

(b) (i) Whenever the Borrower desires to incur Swingline Loans hereunder, the Borrower shall give the Swingline Lender no later than 1:00 P.M. (New York time) on the date that a Swingline Loan is to be incurred, written notice or telephonic notice promptly confirmed in writing of each Swingline Loan to be incurred hereunder. Each such notice shall be irrevocable and specify in each case (A) the date of Borrowing (which shall be a Business Day) and (B) the aggregate principal amount of the Swingline Loans to be incurred pursuant to such Borrowing.

(ii) Mandatory Borrowings shall be made upon the notice specified in Section 1.01(d), with the Borrower irrevocably agreeing, by its incurrence of any Swingline Loan, to the making of the Mandatory Borrowings as set forth in Section 1.01(d).

(c) Without in any way limiting the obligation of the Borrower to confirm in writing any telephonic notice of any Borrowing or prepayment of Loans, the Administrative Agent or the Swingline Lender, as the case may be, may act without liability upon the basis of telephonic notice of such Borrowing or prepayment, as the case may be, believed by the Administrative Agent or the Swingline Lender, as the case may be, in good faith to be from the Chairman of the Board, the President, the Chief Financial Officer, the Vice President-Finance or the Vice President-Administration of the Borrower, or from any other authorized officer of the Borrower designated in writing by the Borrower to the Administrative Agent as being authorized to give such notices, prior to receipt of written confirmation. In each such case, the Borrower hereby waives the right to dispute the Administrative Agent's or Swingline Lender's record of the terms of such telephonic notice of such Borrowing or prepayment of Loans, as the case may be, absent manifest error.

1.04 Disbursement of Funds. No later 12:00 Noon (New York time) on the
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date specified in each Notice of Borrowing (or (x) in the case of Swingline Loans, no later than 3:00 P.M. (New York time) on the date specified pursuant to Section 1.03(b)(i) or (y) in the case of Mandatory Borrowings, no later 1:00 P.M. (New York time) on the date specified in Section 1.01(d)), each Lender with a Commitment of the respective Tranche will make available its pro rata portion
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(determined in accordance with Section 1.07) of each such Borrowing requested to be made on such date (or in the case of Swingline Loans, the Swingline Lender will make available the full amount thereof). All such amounts will be made available in Dollars and in immediately available funds at the Payment Office, and the Administrative Agent will, except in the case of Revolving Loans made pursuant to a Mandatory Borrowing, make available to the Borrower at the Payment Office (or such other account as directed by the Borrower in writing to the Administrative Agent) the aggregate of the amounts so made available by the Lenders. Unless the Administrative Agent shall have been notified by any Lender prior to the date of Borrowing

that such Lender does not intend to make available to the Administrative Agent such Lender's portion of any Borrowing to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date of Borrowing and the Administrative Agent may (but shall not be obligated to), in reliance upon such assumption, make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent also shall be entitled to recover on demand from such Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower until the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to (i) if recovered from such Lender, the overnight Federal Funds Rate for the first three days and at the interest rate otherwise applicable to such Loans for each day thereafter and (ii) if recovered from the Borrower, the rate of interest applicable to the respective Borrowing, as determined pursuant to Section 1.08. Nothing in this Section 1.04 shall be deemed to relieve any Lender from its obligation to make Loans hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any failure by such Lender to make Loans hereunder.

1.05 Notes. (a) The Borrower's obligation to pay the principal of, and interest on, the Loans made by each Lender shall be evidenced in the Register maintained by the Administrative Agent pursuant to Section 13.15 and shall, if requested by such Lender, also be evidenced (i) if Term Loans, by a promissory note duly executed and delivered by the Borrower substantially in the form of Exhibit B-1, with blanks appropriately completed in conformity herewith (each a "Term Note" and, collectively, the "Term Notes"), (ii) if Revolving Loans, by a promissory note duly executed and delivered by the Borrower substantially in the form of Exhibit B-2, with blanks appropriately completed in conformity herewith (each a "Revolving Note" and, collectively, the "Revolving Notes"), and (iii) if Swingline Loans, by a promissory note duly executed and delivered by the Borrower substantially in the form Exhibit B-3, with blanks appropriately completed in conformity herewith (the "Swingline Note").

(b) The Term Note issued to each Lender that has a Term Loan Commitment or outstanding Term Loans shall (i) be executed by the Borrower, (ii) be payable to such Lender or its registered assigns and be dated the Initial Borrowing Date (or, if issued after the Initial Borrowing Date, be dated the date of issuance thereof), (iii) be in a stated principal amount equal to the Term Loans made by such Lender on the Initial Borrowing Date (or, if issued after the Initial Borrowing Date, be in a stated principal amount equal to the outstanding principal amount of Term Loans of such Lender at such time) and be payable in the outstanding principal amount of Term Loans evidenced thereby, (iv) mature on the Term Loan Maturity Date, (v) bear interest as provided in the appropriate clause of Section 1.08 in respect of the Base Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby, (vi) be subject to voluntary prepayment as provided in Section 4.01, and mandatory repayment as provided in Section 4.02, and (vii) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) The Revolving Note issued to each Lender that has a Revolving Loan Commitment or outstanding Revolving Loans shall (i) be executed by the Borrower, (ii) be payable to such Lender or its registered assigns and be dated the Initial Borrowing Date (or, if issued after the Initial Borrowing Date, be dated the date of the issuance thereof), (iii) be in a stated principal amount equal to the Revolving Loan Commitment of such Lender (or, if issued after the termination thereof, be in a stated principal amount equal to the outstanding Revolving Loans of such Lender at such time) and be payable in the outstanding principal amount of the Revolving Loans evidenced thereby, (iv) mature on the Revolving Loan Maturity Date, (v) bear interest as provided in the appropriate clause of Section 1.08 in respect of the Base Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby, (vi) be subject to voluntary prepayment as provided in Section 4.01, and mandatory repayment as provided in Section 4.02, and (vii) be entitled to the benefits of this Agreement and the other Credit Documents.

(d) The Swingline Note issued to the Swingline Lender shall (i) be executed by the Borrower, (ii) be payable to the Swingline Lender or its registered assigns and be dated the Initial Borrowing Date, (iii) be in a stated principal amount equal to the Maximum Swingline Amount and be payable in the outstanding principal amount of the Swingline Loans evidenced thereby from time to time, (iv) mature on the Swingline Expiry Date, (v) bear interest as provided in the appropriate clause of Section 1.08 in respect of the Base Rate Loans evidenced thereby, (vi) be subject to voluntary prepayment as provided in Section 4.01, and mandatory repayment as provided in Section 4.02, and (vii) be entitled to the benefits of this Agreement and the other Credit Documents.

(e) Each Lender will note on its internal records the amount of each Loan made by it and each payment in respect thereof and will prior to any transfer of any of its Notes endorse on the reverse side thereof the outstanding principal amount of Loans evidenced thereby. Failure to make any such notation or any error in such notation shall not affect the Borrower's obligations in respect of such Loans.

1.06 Conversions. The Borrower shall have the option to convert, on any Business Day occurring after the Initial Borrowing Date, all or a portion equal to at least the Minimum Borrowing Amount of the outstanding principal amount of Loans (other than Swingline Loans which may not be converted pursuant to this Section 1.06) made pursuant to one or more Borrowings (so long as of the same Tranche) of one or more Types of Loans into a Borrowing (of the same Tranche) of another Type of Loan, provided that, (i) except as otherwise provided in Section 1.10(b), Eurodollar Loans may be converted into Base Rate Loans only on the last day of an Interest Period applicable to the Loans being converted and no such partial conversion of Eurodollar Loans shall reduce the outstanding principal amount of such Eurodollar Loans made pursuant to a single Borrowing to less the Minimum Borrowing Amount applicable thereto, (ii) Base Rate Loans may not be converted into Eurodollar Loans if a Default or an Event of Default is in existence on the date of the conversion and either the Administrative Agent or the Required Lenders, in its or their sole discretion, shall have notified the Borrower that during such existence Base Rate Loan may not be converted into Eurodollar Loans and (iii) no conversion pursuant to this Section 1.06 shall result in a greater number of Borrowings of Eurodollar Loans than is permitted under Section 1.02. Each such conversion, shall be effected by the Borrower by giving the Administrative Agent at the Notice Office prior to 11:00 A.M. (New York time) at

least three Business Days' prior notice (each a "Notice of Conversion") specifying the Loans to be so converted, the Borrowing or Borrowings pursuant to which such Loans were made and, if to be converted into Eurodollar Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall give each Lender prompt notice of any such proposed conversion affecting any of its Loans. Upon any such conversion the proceeds thereof will be deemed to be applied directly on the day of such conversion to prepay the outstanding principal amount of the Loans being converted.

1.07 Pro Rata Borrowings. All Borrowings of Term Loans and Revolving Loans under this Agreement shall be incurred from the Lenders pro rata on the basis of their Term Loan Commitments or Revolving Loan Commitments, as the case may be. It is understood that no Lender shall be responsible for any default by any other Lender of its obligation to make Loans hereunder and that each Lender shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to make its Loans hereunder.

1.08 Interest. (a) The Borrower agrees to pay interest in respect of the unpaid principal amount of each Base Rate Loan from the date of Borrowing thereof until the earlier of (i) the maturity thereof (whether by acceleration or otherwise) and (ii) the conversion of such Base Rate Loan to a Eurodollar Loan pursuant to Section 1.06 or 1.09, as applicable, at a rate per annum which shall be equal to the sum of the Applicable Base Rate Margin plus the Base Rate in effect from time to time.

(b) The Borrower agrees to pay interest in respect of the unpaid principal amount of each Eurodollar Loan from the date of Borrowing thereof until the earlier of (i) the maturity thereof (whether by acceleration or otherwise) and (ii) the conversion of such Eurodollar Loan to a Base Rate Loan pursuant to Section 1.06, 1.09 or 1.10, as applicable, at a rate per annum which shall, during each Interest Period applicable thereto, be equal to the sum of the Applicable Eurodollar Rate Margin plus the Eurodollar Rate for such Interest Period.

(c) Overdue principal and, to the extent permitted by law, overdue interest in respect of each Loan shall, in each case, bear interest at a rate per annum equal to the greater of (x) the rate which is 2% in excess of the rate then borne by such Loans and (y) the rate which is 2% in excess of the rate otherwise applicable to Base Rate Loans from time to time, and all other overdue amounts payable hereunder shall bear interest at a rate per annum equal to the rate which is 2% in excess of the rate otherwise applicable to Base Rate Loans from time to time. Interest which accrues under Section 1.08(c) shall be payable on demand.

(d) Accrued (and theretofore unpaid) interest shall be payable (i) in respect of each Base Rate Loan, quarterly in arrears on each Quarterly Payment Date, (ii) in respect of each Eurodollar Loan, on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three month intervals after the first day of such Interest Period (iii) in respect of each Loan, on any repayment or prepayment (on the amount repaid or prepaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand; provided, however, that in the case of Base Rate Loans, interest shall not be payable pursuant to preceding clause (iii) at the time of any repayment or prepayment thereof unless the respective repayment or prepayment is made either in conjunction with a

permanent reduction of the Total Revolving Loan Commitment or with a repayment or prepayment in full of all outstanding Loans of the respective Tranche.

(e) Upon each Interest Determination Date, the Administrative Agent shall determine the Eurodollar Rate for each Interest Period applicable to the respective Eurodollar Loans and shall promptly notify the Borrower and the Lenders thereof. Each such determination shall, absent manifest error, be final and conclusive and binding on all parties hereto.

1.09 Interest Periods. At the time the Borrower gives any Notice of Borrowing or Notice of Conversion in respect of the making of, or conversion into, any Eurodollar Loan (in the case of the initial Interest Period applicable thereto) or on the third Business Day prior to the expiration of an Interest Period applicable to such Eurodollar Loan (in the case of any subsequent Interest Period), the Borrower shall have the right to elect, by giving the Administrative Agent notice thereof, the interest period (each an "Interest Period") applicable to such Eurodollar Loan, which Interest Period shall, at the option of the Borrower, be a one, two, three or six-month period, or, to the extent available to all of the Lenders of a given Tranche, a nine or twelve-month period, provided that (in each case):

(i) all Eurodollar Loans comprising a Borrowing shall at all times have the same Interest Period;

(ii) the initial Interest Period for any Eurodollar Loan shall commence on the date of Borrowing of such Eurodollar Loan (including the date of any conversion thereto from a Base Rate Loan) and each Interest Period occurring thereafter in respect of such Eurodollar Loan shall commence on the day on which the next preceding Interest Period applicable thereto expires;

(iii) if any Interest Period for a Eurodollar Loan begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month;

(iv) if any Interest Period for a Eurodollar Loan would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, however, that if any Interest Period for a Eurodollar Loan would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(v) no Interest Period may be selected at any time when a Default or an Event of Default is then in existence if either the Administrative Agent or the Required Lenders, in its or their sole discretion,shall have notified the Borrower that Eurodollar Loans may not be incurred during such existence;

(vi) no Interest Period in respect of any Borrowing of any Tranche of Loans shall be selected which extends beyond the respective Maturity Date for such Tranche of Loans; and

(vii) no Interest Period in respect of any Borrowing of Term Loans shall be selected which extends beyond any date upon which a mandatory repayment of Term Loans will be required to be made under Section 4.02(b) if the aggregate principal amount of Term Loans which have Interest Periods which will expire after such date Will be in excess of the aggregate principal amount of Term Loans then outstanding less the aggregate amount of such required repayment.

If upon the expiration of any Interest Period applicable to a Borrowing of Eurodollar Loans, the Borrower has failed to elect, or is not permitted to elect, a new Interest Period to be applicable to such Eurodollar Loans as provided above, the Borrower shall be deemed to have elected to convert such Eurodollar Loans into Base Rate Loans effective as of the expiration date of such current Interest Period.

1. 10 Increased Costs. Illegality, etc. (a) In the event that any
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Lender shall have determined (which determinations shall, absent manifest error, be final and conclusive and binding upon all parties hereto but, with respect to clause (i) below, may be made only by the Administrative Agent):

(i) on any Interest Determination Date that, by reason of any changes arising after the date of this Agreement affecting the interbank Eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

(ii) at any time, that such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Eurodollar Loan (other than with respect to Taxes to the extent covered in Section 4.04) because of (x) any change since the Effective Date in any applicable law or governmental rule, regulation, order, guideline or request (whether or not having the force of law) or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, order, guideline or request, such as, for example, but not limited to: (A) a change in the basis of taxation of payment to any Lender of the principal of or interest on the Loans or the Notes or any other amounts payable hereunder (except for changes in the rate of tax on, or determined by reference to, the net income or profits of such Lender pursuant to the laws of the jurisdiction in which it is organized or in which its principal office or applicable lending office is located or any subdivision thereof or therein) or (B) a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Eurodollar Rate and/or (y) other circumstances arising since the Effective Date affecting the interbank Eurodollar market; or

(iii) at any time, that the making or continuance of any Eurodollar Loan has been made (x) unlawful by any law or governmental rule, regulation or order, (y) impossible by compliance by any Lender in good faith with any governmental request (whether or not having force of law) or (z) impracticable as a result of a contingency occurring after the Effective Date which materially and adversely affects the interbank Eurodollar market;

then, and in any such event, such Lender (or the Administrative Agent, in the case of clause (i) above) shall promptly give notice (by telephone promptly confirmed in writing) to the Borrower and, except in the case of clause (i) above, to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (i) above, Eurodollar Loans shall no longer be available until such time as the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice by the Administrative Agent no longer exist, and any Notice of Borrowing or Notice of Conversion given by the Borrower with respect to Eurodollar Loans which have not yet been incurred (including by way of conversion) shall be deemed rescinded by the Borrower, (y) in the case of clause (ii) above, the Borrower shall pay to such Lender, upon such Lender's written request therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its sole discretion shall determine) as shall be required to compensate such Lender for such increased costs or reductions in amounts received or receivable hereunder (a written notice as to the additional amounts owed to such Lender, showing in reasonable detail the basis for the calculation thereof, submitted to the Borrower by such Lender shall, absent manifest error, be final and conclusive and binding on all the parties hereto) and (z) in the case of clause (iii) above, the Borrower shall take one of the actions specified in Section 1.10(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any Eurodollar Loan is affected by the circumstances described in Section 1.10(a)(ii) or (iii), the Borrower may (and in the case of a Eurodollar Loan affected by the circumstances described in Section 1.10(a)(iii) shall) either (x) if the affected Eurodollar Loan is then being made initially or pursuant to a conversion, either (A) convert such Borrowing from the affected Lender into a Borrowing of Base Rate Loans and with the balance of such Borrowing to be made as Eurodollar Loans, or (B) cancel such Borrowing, in either case, by giving the Administrative Agent telephonic notice (confirmed in writing) on the same date that the Borrower was notified by the affected Lender or the Administrative Agent pursuant to Section 1.10(a)(ii) or (iii) or (y) if the affected Eurodollar Loan is then outstanding, upon at least three Business Days' written notice to the Administrative Agent, require the affected Lender to convert such Eurodollar Loan into a Base Rate Loan, provided
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that, if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 1.10(b).

(c) If any Lender determines that after the Effective Date the introduction of or any change in any applicable law or governmental rule, regulation, order, guideline, directive or request (whether or not having the force of law) concerning capital adequacy, or any change in interpretation or administration thereof by the NAIC or any governmental authority, central bank or comparable agency, will have the effect of increasing the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender based on the existence of such Lender's Commitments hereunder or its obligations hereunder, then the Borrower shall pay to such Lender, upon its written demand therefor, such additional amounts as shall be required to compensate such Lender or such other corporation for the increased cost to such Lender or such other corporation or the reduction in the rate of return to such Lender or such other corporation as a result of such increase of capital (but without duplication of any amounts payable under Section 2.06). In determining such additional amounts, each Lender will act reasonably and in good faith and will use averaging and attribution methods which are

reasonable, provided that such Lender's determination of compensation owing
under this Section 1.10(c) shall, absent manifest error, be final and conclusive and binding on all the parties hereto. Each Lender, upon determining that any additional amounts will be payable pursuant to this Section 1.10(c), will give prompt written notice thereof to the Borrower, which notice shall show in reasonable detail the basis for calculation of such additional amounts.

1.11 Compensation. The Borrower shall compensate each Lender, upon its written request (which request shall set forth in reasonable detail the basis for requesting such compensation), for all losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its Eurodollar Loans but excluding loss of anticipated profits) which such Lender may sustain: (i) if for any reason (other than a default by such Lender or the Administrative Agent) a Borrowing of, or conversion from or into, Eurodollar Loans does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion (whether or not withdrawn by the Borrower or deemed withdrawn pursuant to Section 1.10(a)); (ii) if any repayment (including any repayment made pursuant to Section 4.01, Section 4.02 or as a result of an acceleration of the Loans pursuant to Section 10) or conversion of any of its Eurodollar Loans occurs on a date which is not the last day of an Interest Period with respect thereto; (iii) if any prepayment of any of its Eurodollar Loans is not made on any date specified in a notice of prepayment given by the Borrower, or (iv) as a consequence of (x) any other default by the Borrower to repay its Eurodollar Loans when required by the terms of this Agreement or any Note held by such Lender or (y) any election made pursuant to Section 1.10(b).

1.12 Change of Lending Office. Each Lender agrees that on the occurrence of any event giving rise to the operation of Section 1.10(a)(ii) or (iii), Section 1.10(c), Section 2.06 or Section 4.04 with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans or Letters of Credit affected by such event, provided that such designation is made on such terms that such Lender and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of such Section. Nothing in this Section 1.12 shall affect or postpone any of the obligations of the Borrower or the right of any Lender provided in Sections 1.10, 2.06 and 4.04.

1.13 Replacement of Lenders. (x) If any Lender becomes a Defaulting Lender or otherwise defaults in its obligations to make Loans, (y) upon the occurrence of an event giving rise to the operation of Section 1.10(a)(ii) or (iii), Section 1.10(c), Section 2.06 or Section 4.04 with respect to any Lender which results in such Lender charging to the Borrower increased costs in excess of those being generally charged by the other Lenders or (z) in the case of a refusal by a Lender to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Lenders as (and to the extent) provided in Section 13.12(b), the Borrower shall have the right, if no Default or Event of Default then exists (or, in the case of preceding clause (z), no Default or Event of Default will exist immediately after giving effect to such replacement), to replace such Lender (the "Replaced Lender") with one or more other Eligible Transferees, none of whom shall constitute a Defaulting Lender at the time of such replacement (collectively, the "Replacement Lender") each of whom shall be required to be reasonably acceptable to the Administrative Agent, provided that (i)

at the time of any replacement pursuant to this Section 1.13, the Replacement Lender shall enter into one or more Assignment and Assumption Agreements pursuant to Section 13.04(b) (and with all fees payable pursuant to said Section 13.04(b) to be paid by the Replacement Lender and/or the Replaced Lender) pursuant to which the Replacement Lender shall acquire all of the Commitments and outstanding Loans of, and in each case participations in Letters of Credit by, the Replaced Lender and, in connection therewith, shall pay to (x) the Replaced Lender in respect thereof an amount equal to the sum of (I) an amount equal to the principal of, and all accrued interest on, all outstanding Loans of the Replaced Lender, (II) an amount equal to all Unpaid Drawings that have been funded by (and not reimbursed to) such Replaced Lender, together with all then unpaid interest with respect thereto at such time and (III) an amount equal to all accrued, but theretofore unpaid, Fees owing to the Replaced Lender pursuant to Section 3.01, (y) the Issuing Lender an amount equal to such Replaced Lender's RL Percentage of any Unpaid Drawing (which at such time remains an Unpaid Drawing) to the extent such amount was not theretofore funded by such Replaced Lender to the Issuing Lender and (z) the Swingline Lender an amount equal to such Replaced Lender's RL Percentage of any Mandatory Borrowing to the extent such amount was not theretofore funded by such Replaced Lender to the Swingline Lender and (ii) all obligations of the Borrower due and owing to the Replaced Lender at such time (other than those specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being, paid) shall be paid in full to such Replaced Lender concurrently with such replacement. Upon the execution of the respective Assignment and Assumption Agreement, the payment of amounts referred to in clauses (i) and (ii) above and, if so requested by the Replacement Lender, delivery to the Replacement Lender of the appropriate Note or Notes executed by the Borrower, the Replacement Lender shall become a Lender hereunder and the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to indemnification provisions under this Agreement (including, without limitation, Sections 1.10, 1.11, 2.06, 4.04, 12.06 and 13.01), which shall survive as to such Replaced Lender.

SECTION 2. Letters Credit.

2.01 Letters of Credit. (a) Subject to and upon the terms and conditions set forth herein, the Borrower may request that the Issuing Lender issue, at any time and from time to time on and after the Initial Borrowing Date and prior to the 30th day prior to the Revolving Loan Maturity Date, (x) for the account of the Borrower and for the benefit of any holder (or any trustee, agent or other similar representative for any such holders) of L/C Supportable Obligations of the Borrower or any of its Subsidiaries, an irrevocable standby letter of credit, in a form customarily used by the Issuing Lender or in such other form as has been approved by the Issuing Lender, and (y) for the account of the Borrower and for the benefit of sellers of goods to the Borrower or any of its Subsidiaries, an irrevocable trade letter of credit, in a form customarily used by the Issuing Lender or in such other form as been approved by such Issuing Lender (each such letter of credit, a "Letter of Credit" and, collectively, the "Letters of Credit"). All Letters of Credit shall be denominated in Dollars and shall be issued on a sight basis only.

(b) Subject to and upon the terms and conditions set forth herein, the Issuing Lender agrees that it will, at any time and from time to time on and after the Initial Borrowing Date and prior to the 30th day prior to the Revolving Loan Maturity Date, following its receipt of

the respective Letter of Credit Request, issue for the account of the Borrower, one or more Letters of Credit, provided that the Issuing Lender shall be under
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no obligation to issue any Letter of Credit of the types described above if at the time of such issuance:

(i) any order, judgment or decree of any governmental authority or arbitrator shall purport by its terms to enjoin or restrain the Issuing Lender from issuing such Letter of Credit or any requirement of law applicable to the Issuing Lender or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over the Issuing Lender shall prohibit, or request that the Issuing Lender refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Issuing Lender with respect to such Letter of Credit any restriction or reserve or capital requirement (for which the Issuing Lender is not otherwise compensated hereunder) not in effect with respect to the Issuing Lender on the date hereof, or any loss, cost or expense (for which the Issuing Lender is not otherwise required to be reimbursed under this Agreement) which was not applicable or in effect with respect to the Issuing Lender as of the date hereof and which the Issuing Lender reasonably and in good faith deems material to it; or

(ii) the Issuing Lender shall have received notice, from the Borrower or the Required Lenders prior to the issuance of such Letter of Credit, of the type described in the second sentence of Section 2.03(b).

2.02 Maximum Letter of Credit Outstandings; Final Maturities.

Notwithstanding anything to the contrary contained in this Agreement, (i) no Letter of Credit shall be issued the Stated Amount of which, when added to the Letter of Credit Oustandings (exclusive of Unpaid Drawings which are repaid on the date of, and prior to the issuance of, the respective Letter of Credit) at such time would exceed either (x) $1,000,000 or (y) when added to the sum of (I) the aggregate principal amount of all Revolving Loans then outstanding and (II) the aggregate principal amount of all Swingline Loans then outstanding, an amount equal to the Total Revolving Loan Commitment at such time and (ii) each Letter of Credit shall by its terms terminate on or before the earlier of (x) (A) in the case of standby Letters of Credit, the date which occurs 12 months after the date of the issuance thereof (although any such standby Letter of Credit may be extendible for successive periods of up to 12 months, but, in each case, not beyond the third Business Day prior to the Revolving Loan Maturity Date, on terms acceptable to the Issuing Lender) and (B) in the case of trade Letters of Credit, the date which occurs 180 days after the date of issuance thereof (or such later date as may be agreed to by the Issuing Lender in its sole discretion), (y) (A) in the case of standby Letters of Credit, three Business Days prior to the Revolving Loan Maturity Date and (B) in the case of trade Letters of Credit, 30 days prior to the Revolving Loan Maturity Date.

2.03 Letter of Credit Requests; Minimum Stated Amount. (a) Whenever
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the Borrower desires that a Letter of Credit be issued for its account, the Borrower shall give the Administrative Agent and the Issuing Lender at least two Business Days' (or such shorter period as is acceptable to the Issuing Lender) written notice thereof. Each notice be in the form of Exhibit C (each a "Letter of Credit Request").

(b) The making of each Letter of Credit Request shall be deemed to be a representation and warranty by the Borrower that such Letter of Credit may be issued in accordance with, and will not violate the requirements of, Section 2.02. Unless the Issuing Lender has received notice from the Borrower or the Required Lenders before it issues a Letter of Credit that one or more of the conditions specified in Section 5 or 6 are not then satisfied, or that the issuance of such Letter of Credit would violate Section 2.02, then the Issuing Lender shall, subject to the terms and conditions of this Agreement, issue the requested Letter of Credit for the account of the Borrower in accordance with the Issuing Lender's usual and customary practices. Upon the issuance of or modification or amendment to any Letter of Credit, the Issuing Lender shall promptly notify the Borrower, the Administrative Agent and each Participant of such issuance, modification or amendment as the case may be. Notwithstanding anything to the contrary contained in this Agreement, in the event that a Lender Default exists, the Issuing Lender shall not be required to issue any Letter of Credit unless the Issuing Lender has entered into arrangements satisfactory to it and the Borrower to eliminate the Issuing Lender's risk with respect to the participation in Letters of Credit by the Defaulting Lender or Lenders, including by cash collateralizing such Defaulting Lender's or Lenders' RL Percentage of the Letter of Credit Outstandings.

(c) The initial Stated Amount of each Letter of Credit shall not be less than $50,000 or such lesser amount as is acceptable to the Issuing Lender.

2.04 Letter of Credit Participations. (a) Immediately upon the
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issuance by the Issuing Lender of any Letter of Credit, the Issuing Lender shall be deemed to have sold and transferred to each RL Lender, other than the Issuing Lender (each such Lender, in its capacity under this Section 2.04, a "Participant"), and each such Participant shall be deemed irrevocably and unconditionally to have purchased and received from the Issuing Lender, without recourse or warranty, an undivided interest and participation, to the extent of such Participant's RL Percentage, in such Letter of Credit, each drawing or payment made thereunder and the obligations of the Borrower under this Agreement with respect thereto, and any security therefor or guaranty pertaining thereto. Upon any change in the Revolving Loan Commitments or RL Percentages of the Lenders pursuant to Section 1.13 or 13.04, it is hereby agreed that, with respect to all outstanding Letters of Credit and Unpaid Drawings with respect thereto, there shall be an automatic adjustment to the participations pursuant to this Section 2.04 to reflect the new RL Percentages of the assignor and assignee Lender, as the case may be.

(b) In determining whether to pay under any Letter of Credit, the Issuing Lender shall not have an obligation relative to the other Lenders other to confirm that any documents required to be delivered under such Letter of Credit appear to have been delivered and that they appear to substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by the Issuing Lender under or in connection with any Letter of Credit shall not create for the Issuing Lender any resulting liability to the Borrower, any other Credit Party, any Lender or any other Person unless such action is taken or omitted with gross negligence or willful misconduct (as finally determined by a court of competent jurisdiction).

(c) In the event that the Issuing Lender makes any payment under any Letter of Credit and the Borrower shall not have reimbursed such amount in full to the Issuing Lender pursuant to Section 2.05(a), the Issuing Lender shall promptly notify the Administrative Agent, which shall promptly notify each Participant of such failure, and each Participant shall promptly and unconditionally pay to the Issuing Lender the amount of such Participant's RL Percentage of such unreimbursed payment in Dollars and in same day funds. If the Administrative Agent so notifies, prior to 11:00 A.M. (New York City time) on any Business Day, any Participant required to fund a payment under a Letter of Credit, such Participant shall make available to the Issuing Lender in Dollars such Participant's RL Percentage of the amount of such payment on such Business Day in same day funds. If and to the extent such Participant shall not have so made its RL Percentage of the amount of such payment available to the Issuing Lender, such Participant agrees to pay to the Issuing Lender, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to the Issuing Lender at the overnight Federal Funds Rate for the first three days and at the interest rate applicable to Revolving Loans maintained as Base Rate Loans for each day thereafter. The failure of any Participant to make available to the Issuing Lender its RL Percentage of any payment under any Letter of Credit shall not relieve any other Participant of its obligation hereunder to make available to the Issuing Lender its RL Percentage of any payment under any Letter of Credit on the date required, as specified above, but no Participant shall be responsible for the failure of any other Participant to make available to the Issuing Lender such other Participant's RL Percentage of any such payment.

(d) Whenever the Issuing Lender receives a payment of a reimbursement obligation as to which it has received any payments from the Participants pursuant to clause (c) above, the Issuing Lender shall pay to each such Participant which has paid its RL Percentage thereof, in Dollars and in same day funds, an amount equal to such Participant's share (based upon the proportionate aggregate amount originally funded by such Participant to the aggregate amount funded by all Participants) of the principal amount of such reimbursement obligation and interest thereon accruing after the purchase of the respective participations.

(e) Upon the request of any Participant, the Issuing Lender shall furnish to such Participant copies of any Letter of Credit issued by it and such other documentation as may reasonably be requested by such Participant.

(f) The obligations of the Participants to make payments to the Issuing Lender with respect to Letters of Credit issued by it be irrevocable and not subject to any qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, setoff, defense or other right which Holdings or any of its Subsidiaries may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee

may be acting), the Administrative Agent, any Participant or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between Holdings or any Subsidiary of Holdings and the beneficiary named in any such Letter of Credit);

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

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Credit Documents; or

(v) the occurrence of any Default or Event of Default.

2.05 Agreement to Repay Letter of Credit Drawings. (a) The Borrower agrees to reimburse the Issuing Lender, by making payment to the Administrative Agent in immediately available funds at the Payment Office, for any payment or disbursement made by the Issuing Lender under any Letter of Credit (each such amount, so paid until reimbursed, an "Unpaid Drawing"), not later than one Business Day following receipt by the Borrower of notice of such payment or disbursement (provided that no such notice shall be required to be given if a Default or an Event of Default under Section 10.05 shall have occurred and be continuing, in which case the Unpaid Drawing shall be due and payable immediately without presentment, demand, protest or notice of any kind (all of which are hereby waived by the Borrower)), with interest on the amount so paid or disbursed by the Issuing Lender, to the extent not reimbursed prior to 12:00 Noon (New York City time) on the date of such payment or disbursement, from and including the date paid or disbursed to but excluding the date the Issuing Lender was reimbursed by the Borrower therefor at a rate per annum equal to the Base Rate in effect from time to time plus the Applicable Base Rate Margin for Revolving Loans; provided, however, to the extent such amounts are not reimbursed prior to 12:00 Noon (New York City time) on the third Business Day following the receipt by the Borrower of notice of such payment or disbursement or following the occurrence of a Default or an Event of Default under Section 10.05, interest shall thereafter accrue on the amounts so paid or disbursed by the Issuing Lender (and until reimbursed by the Borrower) at a rate per annum equal to the Base Rate in effect from time to time plus the Applicable Base Rate Margin for Revolving Loans plus 2%, with interest to be payable on demand. The Issuing Lender shall give the Borrower prompt written notice of each Drawing under any Letter of Credit, provided that the failure to give any such notice in no way affect, impair or diminish the Borrower's obligations hereunder.

(b) The obligations of the Borrower under this Section 2.05 to reimburse the Issuing Lender with respect to drawings under Letters of Credit (each a "Drawing") (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which Holdings or any Subsidiary of Holdings may have or have had against any Lender (including in its capacity as the Issuing Lender or as a Participant), including, without limitation, any defense based upon the failure of any drawing under a Letter of Credit to conform to the terms of the Letter of Credit or

any nonapplication or misapplication by the beneficiary of the proceeds of such Drawing; provided, however, that the Borrower shall not be obligated to reimburse the Issuing Lender for any wrongful payment made by the Issuing Lender under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of the Issuing Lender (as finally determined by court of competent jurisdiction).

2.06 Increased Costs. If at any time after the Effective Date, the introduction of or any change in any applicable law, rule, regulation, order, guideline or request or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by the Issuing Lender or any Participant with any request or directive by the NAIC or by any such authority (whether or not having the force of law), shall either (i) impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against letters of credit issued by the Issuing Lender or participated in by any Participant, or (ii) impose on the Issuing Lender or any Participant any other conditions relating, directly or indirectly, to this Agreement or any Letter of Credit or such Participant's participation therein; and the result of any of the foregoing is to increase the cost to the Issuing Lender or any Participant of issuing, maintaining or participating in any Letter of Credit, or reduce the amount of any sum received or receivable by the Issuing Lender or any Participant hereunder or reduce the rate of return on its capital with respect to Letters of Credit (except for Taxes to the extent covered by Section 4.04 and for changes in the rate of tax on, or determined by reference to, the net income or profits of the Issuing Lender or such Participant pursuant to the laws of the jurisdiction in which it is organized or in which its principal office or applicable lending office is located or any subdivision thereof or therein), then, upon the delivery of the certificate referred to below to the Borrower by the Issuing Lender or any Participant (a copy of which certificate shall be sent by the Issuing Lender or such Participant to the Administrative Agent), the Borrower shall pay to the Issuing Lender or such Participant such additional amount or amounts as will compensate such Lender for such increased cost or reduction in the amount receivable or reduction on the rate of return on its capital (but without duplication of any amounts payable under Section 1.10(c)). The Issuing Lender or any Participant, upon determining that any additional amounts will be payable pursuant to this Section 2.06, will give prompt written notice thereof to the Borrower, which notice shall include a certificate submitted to the Borrower by the Issuing Lender or such Participant (a copy of which certificate shall be sent by the Issuing Lender or such Participant to the Administrative Agent), setting forth in reasonable detail the basis for the calculation of such additional amount or amounts necessary to compensate the Issuing Lender or such Participant. The certificate required to be delivered pursuant to Section 2.06 shall, absent manifest error, be final and conclusive and binding on the Borrower.

SECTION 3. Commitment Commission; Fees; Reductions of Commitment.

3.01 Fees. (a) The Borrower agrees to pay to the Administrative Agent for distribution to each Non-Defaulting RL Lender a commitment commission (the "Commitment Commission") for the period from and including the Effective Date to but excluding the Revolving Loan Maturity Date (or such earlier date on which the Total Revolving Loan Commitment has been terminated) computed at a rate for each day equal to 1/2 of 1% per annum on the daily average Unutilized Revolving Loan Commitment of such Non-Defaulting Lender.

Accrued Commitment Commission shall be due and payable quarterly in arrears on each Quarterly Payment Date and on the date upon which the Total Revolving Loan Commitment is terminated.

(b) The Borrower agrees to pay to the Administrative Agent for distribution to each RL Lender (based on each such RL Lender's respective RL Percentage) a fee in respect of each Letter of Credit (the "Letter of Credit Fee") for the period from and including the date of issuance of such Letter of Credit to and including the Expiration Date of such Letter of Credit, computed at a rate per annum equal to the Applicable Eurodollar Rate Margin then in effect with respect to Revolving Loans on the daily Stated Amount of each such Letter of Credit. Accrued Letter of Credit Fees shall be due and payable quarterly in arrears on each Quarterly Payment Date and on the first day on or after the termination of the Total Revolving Loan Commitment upon which no Letters of Credit remain outstanding.

(c) The Borrower agrees to pay to the Issuing Lender, for its own account, a facing fee in respect of each Letter of Credit (the "Facing Fee") for the period from and including the date of issuance of such Letter of Credit to and including the Expiration Date of such Letter of Credit, computed at a rate equal to 1/4 of 1% per annum on the daily Stated Amount of such Letter of Credit, provided that in any event the minimum amount of the Facing Fee payable
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in any 12 month period for each Letter of Credit shall be $500; it being agreed that, on the date of issuance of any Letter of Credit and on each anniversary thereof prior to the termination of such Letter of Credit, if $500 will exceed the amount of Facing Fees that will accrue with respect to such Letter of Credit for the immediately succeeding 12 month period, the full $500 shall be payable on the date of issuance of such Letter of Credit and on each such anniversary thereof. Except as otherwise provided in the proviso to the immediately preceding sentence, accrued Facing Fees shall be due and payable quarterly in arrears on each Quarterly Payment Date and upon the first day on or after the termination of the Total Revolving Loan Commitment upon which no Letters of Credit remain outstanding.

(d) The Borrower agrees to pay to the Issuing Lender, for its own account, upon each payment under, issuance of, or amendment to, any Letter of Credit, such amount as shall at the time of such event be the administrative charge and the reasonable expenses which the Issuing Lender is generally imposing in connection with such occurrence with respect to letters of credit.

(e) The Borrower agrees to pay to each Agent, for its respective account, such other fees as have been agreed to in writing by the Borrower, the Administrative Agent and each such other Agent.

3.02 Voluntary Termination of Unutilized Revolving Loan Commitments.
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(a) Upon at least one Business Day's prior written notice to the Administrative Agent at the Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), the Borrower shall have the right, at any time or from time to time, without premium or penalty, to terminate the Total Unutilized Revolving Loan Commitment, in whole or in part, pursuant to this Section 3.02(a), in an integral multiple of $100,000 in the case of partial reductions to the Total Unutilized Revolving Loan Commitment, provided that
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each such

reduction shall apply proportionately to permanently reduce the Revolving Loan Commitment of each RL Lender.

(b) In the event of a refusal by a Lender to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Lenders as (and to the extent) provided in Section 13.12(b), the Borrower may, subject to its compliance with the requirements of Section 13.12(b), upon five Business Days' prior written notice to the Administrative Agent at the Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders) terminate all of the Commitments of such Lender, so long as all Loans, together with accrued and unpaid interest, Fees and all other amounts, owing to such Lender are repaid concurrently with the effectiveness of such termination pursuant to Section 4.01(b) (at which time Schedule I shall be deemed modified to reflect such changed amounts) and such Lender's RL Percentage of all outstanding Letters of Credit is cash collateralized in a manner satisfactory to the Administrative Agent and the Issuing Lender, and at such time, such Lender shall no longer constitute a "Lender" for purposes of this Agreement, except with respect to indemnifications under this Agreement (including, without limitation, Sections 1.10, 1.11, 2.06, 4.04, 12.06 and 13.01), which shall survive as to such repaid Lender.

3.03 Mandatory Reduction of Commitments. (a) The Total Commitment (and the Commitments of each Lender) shall terminate in its entirety on April 30, 1999 unless the Initial Borrowing Date has occurred on or before such date.

(b) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, the Total Term Loan Commitment (and the Term Loan Commitment of each Lender) shall terminate in its entirety on the Initial Borrowing Date (after giving effect to the incurrence of the Term Loans on such date).

(c) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, the Total Revolving Loan Commitment (and the Revolving Loan Commitment of each Lender) shall terminate in its entirety on the Revolving Loan Maturity Date.

(d) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, on each date after the Initial Borrowing Date upon which a mandatory repayment of Term Loans pursuant to any of Sections 4.02(c) through (g), inclusive, is required (and exceeds in amount the aggregate principal amount of Term Loans then outstanding) or would be required if Term Loans were then outstanding, the Total Revolving Loan Commitment shall be permanently reduced by the amount, if any, by which the amount required to be applied pursuant to said Sections (determined as if an unlimited amount of Term Loans were actually outstanding) exceeds the aggregate principal amount of Term Loans then outstanding; provided that, notwithstanding the foregoing, once the Total Revolving Loan Commitment has been reduced to $5,000,000 or below, no further reductions to the Total Revolving Loan Commitment pursuant to this Section 3.03(d) shall be required as a result of the event described in Section 4.02(f).

(e) Each reduction to the Total Term Loan Commitment and the Total Revolving Loan Commitment shall be applied to proportionately reduce the Term Loan

Commitment and the Revolving Loan Commitment, as the case may be, of each Lender with such a Commitment.

SECTION 4. Prepayments; Payments; Taxes.

4.01 Voluntary Prepayments. (a) The Borrower shall have the right to prepay the Loans, without premium or penalty, in whole or in part at any time and from time to time on the following terms and conditions: (i) the Borrower shall give the Administrative Agent prior to 12:00 Noon (New York City time) at the Notice Office (x) at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay Base Rate Loans (or same day notice in the case of a prepayment of Swingline Loans) and (y) at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay Eurodollar Loans, which notice (in each case) shall specify whether Term Loans, Revolving Loans or Swingline Loans shall be prepaid, the amount of such prepayment and the Types of Loans to be prepaid and, in the case of Eurodollar Loans, the specific Borrowing or Borrowings pursuant to which made, and which notice the Administrative Agent shall, except in the case of Swingline Loans, promptly transmit to each of the Lenders; (ii) (x) each partial prepayment of Term Loans pursuant to this Section 4.01(a) shall be in an aggregate principal amount of at least $100,000, (y) each partial prepayment of Revolving Loans pursuant to this Section 4.01(a) shall be in an aggregate principal amount of at least $100,000 and (z) each partial prepayment of Swingline Loans pursuant to this Section 4.01(a) shall be in an aggregate principal amount of at least $50,000, provided that if any partial prepayment of Eurodollar Loans made pursuant to any Borrowing shall reduce the outstanding principal amount of Eurodollar Loans made pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto, then such Borrowing may not be continued as a Borrowing of Eurodollar Loans and any election of an Interest Period with respect thereto given by the Borrower shall have no force or effect; (iii) each prepayment pursuant to this Section 4.01(a) in respect of any Loans made pursuant to a Borrowing shall be applied pro rata among such Loans, provided that at the Borrower's election in connection with any prepayment of Revolving Loans pursuant to this Section 4.01(a), such prepayment shall not, so long as no Default or Event of Default then exists, be applied to any Revolving Loan of a Defaulting Lender; and (iv) each voluntary prepayment of principal of Term Loans pursuant to this Section 4.01 (a) shall be applied to reduce the then remaining Scheduled Repayments on a pro rata basis (based upon the then remaining unpaid principal amounts of such Scheduled Repayments after giving effect to all prior reductions thereto).

(b) In the event of a refusal by a Lender to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Lenders as (and to the extent) provided in Section 13.12(b), the Borrower may, upon five Business Days' prior written notice to the Administrative Agent at the Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders) repay all Loans, together with accrued unpaid interest, Fees, and other amounts owing to such Lender in accordance with, and subject to the requirements of, said Section 13.12(b) so long as (I) in the case of the repayment of Revolving Loans of any Lender pursuant to this Section 4.01(b) the Revolving Loan Commitment of such Lender is terminated concurrently with such repayment pursuant to Section 3.02(b) (at which time Schedule I shall be

deemed modified to reflect the changed Revolving Loan Commitments), (II) such Lender's RL Percentage of all outstanding Letters of Credit is cash collateralized in a manner satisfactory to the Administrative Agent and the Issuing Lender and (III) the consents, if any, required under Section 13.12(b) in connection with the repayment pursuant to this clause (b) have been obtained.

4.02 Mandatory Repayments and Commitment Reductions. (a) On any day on which the sum of (I) the aggregate outstanding principal amount of all Revolving Loans (after giving effect to all other repayments thereof on such date), (II) the aggregate outstanding principal amount of all Swingline Loans (after giving effect to all other repayments thereof on such date) and (III) the aggregate amount of all Letter of Credit Outstandings exceeds the Total Revolving Loan Commitment at such time, the Borrower shall prepay on such day the principal of Swingline Loans and, after all Swingline Loans have been repaid in full or if no Swingline Loans are outstanding, Revolving Loans in an amount equal to such excess. If, after giving effect to the prepayment of all outstanding Swingline Loans and Revolving Loans, the aggregate amount of the Letter of Credit Outstandings exceeds the Total Revolving Loan Commitment at such time, the Borrower shall pay to the Administrative Agent at the Payment Office on such day an amount of cash and/or Cash Equivalents equal to the amount of such excess (up to a maximum amount equal to the Letter of Credit Outstandings at such time), such cash and/or Cash Equivalents to be held as security for all obligations of the Borrower to the Issuing Lender and the Lenders hereunder in a cash collateral account to be established by the Administrative Agent.

(b) In addition to any other mandatory repayments pursuant to this Section 4.02, on each date set forth below, the Borrower shall be required to repay that principal amount of the Term Loans, to the extent then outstanding, as is set forth opposite such date below (each such repayment, as the same may be reduced as provided in Sections 4.01(a) and 4.02(h), a "Scheduled Repayment"):

Scheduled Repayment Date	Amount
June 30, 1999	$ 375,000
September 30, 1999	$ 375,000
December 31, 1999	$ 375,000
March 31, 2000	$ 375,000
June 30, 2000	$1,000,000
September 30, 2000	$1,000,000
December 31, 2000	$1,000,000
March 31, 2001	$1,000,000
June 30, 2001	$1,187,500
September 30, 2001	$1,187,500
December 31, 2001	$1,187,500
March 31, 2002	$1,187,500
June 30, 2002	$1,312,500
September 30, 2002	$1,312,500

December 31, 2002	$1,312,500
March 31, 2003	$1,312,500
June 30, 2003	$1,250,000
Term Loan Maturity Date	$1,250,000

(c) In addition to any other mandatory repayments pursuant to this Section 4.02, on each date (or if not practicable to be accomplished on such date, on the next succeeding Business Day) on or after the Initial Borrowing Date upon which Holdings or any of its Subsidiaries receives any cash proceeds from any capital contribution or any sale or issuance of its equity (other than cash proceeds received (i) as part of the Equity Financing, (ii) from the issuance by Holdings of shares of its common stock (including as a result of the exercise of any options with regard thereto), or options to purchase shares of its common stock, to officers, directors and employees of Holdings and its Subsidiaries in an aggregate amount not to exceed $350,000 in any fiscal year of Holdings, (iii) that are used to fund Capital Expenditures pursuant to Section 9.07(e) and/or Investments pursuant to Section 9.05(xii) in an aggregate amount for all such cash proceeds not to exceed $500,000, (iv) that are used to fund Capital Expenditures as, and to the extent, permitted by Section 9.07(f) or (v) from equity contributions to, or purchases of capital stock from, any Subsidiary of Holdings to the extent made by Holdings or another Subsidiary of Holdings), an amount equal to 100% of the Net Equity Proceeds (or, if all outstanding Term Loans have theretofore been repaid in full, 50% of the Net Equity Proceeds) of such capital contribution or sale or issuance of equity shall be applied as a mandatory repayment of principal of outstanding Term Loans in accordance with the requirements of Sections 4.02(h) and (i).

(d) In addition to any other mandatory repayments pursuant to this Section 4.02, on each date on or after the Initial Borrowing Date upon which Holdings or any of its Subsidiaries receives any cash proceeds from any incurrence by Holdings or any of its Subsidiaries of Indebtedness for borrowed money (other than Indebtedness for borrowed money permitted to be incurred pursuant to Section 9.04 as such Section is in effect on the Effective Date), an amount equal to 100% of the Net Debt Proceeds of the respective incurrence of Indebtedness shall be applied as a mandatory repayment of principal of outstanding Term Loans in accordance with the requirements of Sections 4.02(h) and (i).

(e) In addition to any other mandatory repayments pursuant to this Section 4.02, on each date (or if not practicable to be accomplished on such date, on the next succeeding Business Day) on or after the Initial Borrowing Date upon which Holdings or any of its Subsidiaries receives any cash proceeds from any Asset Sale, an amount equal to 100% of the Net Sale Proceeds therefrom be applied as a mandatory repayment of principal of outstanding Term Loans in accordance with the requirements of Sections 4.02(h) and (i); provided that with
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respect to no more $350,000 in the aggregate of Net Sale Proceeds from Asset Sales in any fiscal year of Holdings, such Net Sale Proceeds shall not be required to be so applied on such date so long as no Default or Event of Default then exists and such Net Sale Proceeds shall be used to purchase assets used or useful in the business of the Borrower and its Subsidiaries within 180 days following the date of such Asset Sale, and provided further, that if all or any
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portion of such Net Sale Proceeds not required to be applied to the repayment of outstanding Term Loans are not so

reinvested in replacement assets within such 180-day period, such remaining portion shall be applied on the last day of such period as a mandatory repayment of principal of outstanding Term Loans as provided above in this Section 4.02(e) without regard to this proviso.

(f) In addition to any other mandatory repayments pursuant to this Section 4.02, on each Excess Cash Payment Date, an amount equal to 75% of the Excess Cash Flow (or, if all outstanding Term Loans have theretofore been repaid in full, 50% of the Excess Cash Flow) for the relevant Excess Cash Payment Period shall be applied as a mandatory repayment of principal of outstanding Term Loans in accordance with the requirements of Sections 4.02(h) and (i).

(g) In addition to any other mandatory repayments pursuant to this Section 4.02, within 10 days following each date on or after the Initial Borrowing Date upon which Holdings or any of its Subsidiaries receives any cash proceeds from any Recovery Event (other than a Recovery Event in which the cash proceeds received therefrom are less than $100,000), an amount equal to 100% of the Net Insurance Proceeds from such Recovery Event shall be applied as a mandatory repayment of principal of outstanding Term Loans in accordance with the requirements of Sections 4.02(h) and (i), provided that so long as no
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Default or Event of Default then exists, such Net Insurance Proceeds shall not be required to be so applied on such date to the extent that Holdings or the Borrower has delivered a certificate to the Administrative Agent on or prior to such date stating that such Net Insurance Proceeds shall be used to replace or restore any properties or assets in respect of which such Net Insurance Proceeds were paid within 180 days following the date of the receipt of such Net Insurance Proceeds (which certificate shall set forth the estimates of the Net Insurance Proceeds to be so expended), and provided further, that if all or any
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portion of such Net Insurance Proceeds not required to be applied to the repayment of outstanding Term Loans pursuant to the preceding proviso are not so used within 180 days after the date of the receipt of such Net Insurance Proceeds, such remaining portion shall be applied on the last day of such period as a mandatory repayment of principal of outstanding Term Loans as provided above in this Section 4.02(g) without regard to the preceding proviso.

(h) The amount of each principal repayment of Term Loans made as required by Sections 4.02(c), (d), (e), (f) and (g) shall be applied to reduce the then remaining Scheduled Repayments on a pro rata basis (based upon the then
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remaining unpaid principal amounts of such Scheduled Repayments after giving effect to all prior reductions thereto).

(i) With respect to each repayment of Loans required by this Section 4.02, the Borrower may designate the Types of Loans of the respective Tranche which are to be repaid and, in the case of Eurodollar Loans, the specific Borrowing or Borrowings of the respective Tranche pursuant to which made, provided that: (i) repayments of Eurodollar Loans pursuant to this Section 4.02
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may only be made on the last day of an Interest Period applicable thereto unless all Eurodollar Loans of the respective Tranche with Interest Periods ending on such date of required repayment and all Base Rate Loans of the respective Tranche have been paid in full; (ii) if any repayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the outstanding Eurodollar Loans made pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto, such Borrowing shall be converted at the end of the then current Interest Period into a Borrowing of Base Rate Loans; and (iii) each repayment of any

Loans made pursuant to a Borrowing shall be applied pro rata among such Loans
(based on the respective shares of the Lenders, if any, of the Loans with respect to which such repayment is required pursuant to this Section 4.02). In the absence of a designation by the Borrower as described in the preceding sentence, the Administrative Agent shall, subject to the above, make such designation in its sole discretion.

(j) In addition to any other mandatory repayments pursuant to this Section 4.02, on each date (or if not practicable to be accomplished on such date, on the next succeeding Business Day) on which any cash proceeds are received by Holdings as contemplated by Section 10.11, an amount equal to 100% of such proceeds shall be applied on such date on a mandatory prepayment of any outstanding Revolving Loans.

(k) Notwithstanding the foregoing provisions of this Section 4.02, if at any time any repayment of the Loans pursuant to clause (c), (e) or (g) of this Section 4.02 would result, after giving effect to the procedures set forth in clause (i) of this Section 4.02, in the Borrower incurring breakage costs in a material amount under Section 1.11 as a result of Eurodollar Loans being prepaid other than on the last day of an Interest Period with respect thereto, the Borrower may, so long as no Default or Event of Default shall have occurred and be continuing, in its sole discretion, initially deposit a portion (up to 100%) of the amounts that otherwise would have been paid in respect of such Eurodollar Loans with the Administrative Agent (which deposit must be equal in amount to the amount of such Eurodollar Loans not immediately prepaid) to be held as security for the Obligations of the Borrower pursuant to a cash collateral agreement to be entered into on terms reasonably satisfactory to the Administrative Agent, with such cash collateral to be directly applied upon the occurrence of a Default or an Event of Default or the first occurrence thereafter of the last day of an Interest Period with respect to such Eurodollar Loans (or such earlier date or dates as shall be requested by the Borrower); provided that (x) such unpaid Eurodollar Loans shall continue to bear interest in accordance with the applicable provisions hereof until such unpaid Eurodollar Loans or the related portion of such Eurodollar Loans, as the case may be, have or has been prepaid and (y) the provisions of this Section 4.02(k) shall not apply to a mandatory repayment under clause (c) of this Section 4.02 if the amount of such mandatory repayment equals or exceeds the lesser of (A) the principal amount of all Loans then outstanding and (B) $5,000,000.

(l) Notwithstanding anything to the contrary contained in this Agreement or in any other Credit Document, all then outstanding Loans of any Tranche shall be repaid in full on the respective Maturity Date for such Tranche of Loans.

4.03 Method and Place of Payment. Except as otherwise specifically provided herein, all payments under Agreement or under any Note shall be made to the Administrative Agent for the account of the Lender or Lenders entitled thereto not later than 12:00 Noon (New York City time) on the date when due and shall be made in Dollars in immediately available funds at the Payment Office. Whenever any payment to be made hereunder or under any Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable at the applicable rate during such extension.

4.04 Net Payments. (a) All payments made by the Borrower hereunder or under any Note will be made without setoff, counterclaim or other defense. Except as provided in Section 4.04(b), all such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding, except as provided in the second succeeding sentence, any tax imposed on or measured by the net income or profits of a Lender pursuant to the laws of the jurisdiction in which it is organized or the jurisdiction in which the principal office or applicable lending office of such Lender is located or any subdivision thereof or therein) and all interest, penalties or similar liabilities with respect to such non-excluded taxes, levies, imposts, duties, fees, assessments or other charges (all such nonexcluded taxes, levies, imposts, duties, fees, assessments or other charges being referred to collectively as "Taxes"). If any Taxes are so levied or imposed, the Borrower agrees to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in such Note. If any amounts are payable in respect of Taxes pursuant to the preceding sentence, the Borrower agrees to reimburse each Lender, upon the written request of such Lender, for taxes imposed on or measured by the net income or profits of such Lender pursuant to the laws of the jurisdiction in which such Lender is organized or in which the principal office or applicable lending office of such Lender is located or under the laws of any political subdivision or taxing authority of any such jurisdiction in which such Lender is organized or in which the principal office or applicable lending office of such Lender is located and for any withholding of taxes as such Lender shall determine are payable by, or withheld from, such Lender, in respect of such amounts so paid to or on behalf of such Lender pursuant to the preceding sentence and in respect of any amounts paid to or on behalf of such Lender pursuant to this sentence. The Borrower will furnish to the Administrative Agent within 45 days after the date the payment of any Taxes is due pursuant to applicable law certified copies of tax receipts evidencing such payment by the Borrower. The Borrower agrees to indemnify and hold harmless each Lender, and reimburse such Lender upon its written request, for the amount of any Taxes so levied or imposed and paid by such Lender.

(b) Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes agrees to deliver to the Borrower and the Administrative Agent on or prior to the Effective Date or, in the case of a Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 1.13 or 13.04(b) (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer), on the date of such assignment or transfer to such Lender, (i) two accurate and complete original signed copies of Internal Revenue Service Form 4224 or 1001 (or successor forms) certifying to such Lender's entitlement as of such date to an exemption from or reduction in United States withholding tax with respect to payments to be made under this Agreement and under any Note, or (ii) if the Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code and cannot deliver either Internal Revenue Service Form 1001 or 4224 pursuant to clause (i) above, (x) a certificate substantially in the form of Exhibit D (any such certificate, a "Section 4.04(b)(ii) Certificate") and (y) two accurate and complete original signed

copies of Internal Revenue Service Form W-8 (or successor form) certifying to such Lender's entitlement as of such date to a complete exemption from United States withholding tax with respect to payments of interest to be made under this Agreement and under any Note. In addition, each Lender agrees that from time to time after the Effective Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, such Lender will deliver to the Borrower and the Administrative Agent two new accurate and complete original signed copies of Internal Revenue Service Form 4224 or 1001 (or successor forms), or Form W-8 (or successor form) and a Section 4.04(b)(ii) Certificate, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any Note, or such Lender shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such Form or Certificate, in which case such Lender shall not be required to deliver any such Form or Certificate pursuant to this Section 4.04(b). Notwithstanding anything to the contrary contained in Section 4.04(a), but subject to Section 13.04(b) and the immediately succeeding sentence, (x) the Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or similar taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, Fees or other amounts payable hereunder for the account of any Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes to the extent that such Lender has not provided to the Borrower U.S. Internal Revenue Service Forms that establish a complete exemption from such deduction or withholding and (y) the Borrower shall not be obligated pursuant to Section 4.04(a) to gross-up payments to be made to a Lender in respect of income or similar taxes imposed by the United States if (I) such Lender has not provided to the Borrower the Internal Revenue Service Forms required to be provided to the Borrower pursuant to this Section 4.04(b) or (II) in the case of a payment, other than interest, to a Lender described in clause (ii) above, to the extent that such Forms do not establish a complete exemption from withholding of such taxes. Notwithstanding anything to the contrary contained in the preceding sentence or elsewhere in this Section 4.04 and except as set forth in Section 13.04(b), the Borrower agrees to pay any additional amounts and to indemnify each Lender in the manner set forth in Section 4.04(a) (without regard to the identity of the jurisdiction requiring the deduction or withholding) in respect of any Taxes deducted or withheld by it as described in the immediately preceding sentence as a result of any changes that are effective after the Effective Date in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of such Taxes.

(c) If the Borrower pays any additional amount under this Section 4.04 to a Lender and such Lender determines in its sole discretion that it has actually received or realized in connection therewith any refund or any reduction of, or credit against, its Tax liabilities in or with respect to the taxable year in which the additional amount is paid (a "Tax Benefit"), such Lender shall pay to the Borrower an mount that the Lender shall, in its sole discretion, determine is equal to the net benefit, after tax, which was obtained by such Lender in such year as a consequence of such Tax Benefit, provided, however, that (i) any Lender may determine, in its sole discretion consistent with the policies of such Lender, whether to seek a Tax Benefit, (ii) any Taxes that are imposed on a Lender as a result of a disallowance or reduction (including through

the expiration of any tax credit carryover or carryback of such Lender that otherwise would not have expired) of any Tax Benefit with respect to which such Lender has made a payment to the Borrower pursuant to this Section 4.04(c) shall be treated as a Tax for which the Borrower is obligated to indemnify such Lender pursuant to this Section 4.04 without any exclusions or defenses and (iii) nothing in this Section 4.04(c) shall require such Lender to disclose any confidential information to the Borrower (including, without limitation, such Lender's tax returns).

SECTION 5. Conditions Precedent to Credit Events on the Initial Borrowing Date. The obligation of each Lender to make Loans, and the obligation of the Issuing Lender to issue Letters of Credit, on the Initial Borrowing Date, is subject at the time of the making of such Loans or the issuance of such Letters of Credit to the satisfaction of the following conditions:

5. 01 Execution of Agreement; Notes. On or prior to the Initial Borrowing Date, (i) the Effective Date shall have occurred and (ii) there shall have been delivered to the Administrative Agent for the account of each of the Lenders that has requested same the appropriate Term Note and/or Revolving Note executed by the Borrower and to the extent requested by the Swingline Lender, the Swingline Note executed by the Borrower, in each case, in the amount, maturity and as otherwise provided herein.

5.02 Officer's Certificate. On the Initial Borrowing Date, the Administrative Agent shall have received a certificate, dated the Initial Borrowing Date and signed on behalf of the Borrower by the Chairman of the Board, the President or any Vice President of the Borrower, certifying on behalf of the Borrower that all of the conditions in Sections 5.06(a), 5.06(b), 5.07(b) and 6.01 have been satisfied on such date.

5.03 Opinions of Counsel. On the Initial Borrowing Date, the Administrative Agent shall have received from (i) Simpson Thacher & Bartlett, counsel to the Credit Parties, an opinion addressed to the Agents, the Collateral Agent and each of the Lenders and dated the Initial Borrowing Date covering the matters set forth in Exhibit E-1 and such other matters incident to the transactions contemplated herein as the Agents may reasonably request and (ii) O'Melveny & Myers LLP, an opinion addressed to the Agents, the Collateral Agent and each of the Lenders and dated the Initial Borrowing Date covering the matters set forth in Exhibit E-2 and such other matters incident to the transactions contemplated herein as the Agents may reasonably request.

5.04 Corporate Documents; Proceedings; etc. (a) On the Initial Borrowing Date, the Administrative Agent shall have received a certificate from each Credit Party, dated the Initial Borrowing Date, signed by the Chairman of the Board, the President or any Vice President of each such Credit Party, and attested to by the Secretary or any Assistant Secretary of such Credit Party, in the form of Exhibit F with appropriate insertions, together with copies of the certificate of incorporation (or equivalent organizational document) and by-laws of such Credit Party and the resolutions of such Credit Party referred to in such certificate, and each of the foregoing shall be in form and substance reasonably acceptable to the Agents.

(b) All corporate, limited liability company and legal proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Documents shall be reasonably satisfactory in form and substance to the Agents and the Required Lenders, and the Administrative Agent shall have received all information and copies of all documents and papers, including records of corporate proceedings, governmental approvals, good standing certificates and bring-down telegrams or facsimiles, if any, which the Administrative Agent reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or governmental authorities.

(c) On the Initial Borrowing Date, the corporate, ownership and capital structure (including, without limitation, the terms of any capital stock, options, warrants or other securities issued by Holdings or any of its Subsidiaries) of Holdings and its Subsidiaries shall be in form and substance reasonably satisfactory to the Agents and the Required Lenders.

5.05 Plans; Shareholders' Agreements; Management Agreements; Employment Agreements; Non-Compete Agreements; Collective Bargaining Agreements; Tax Sharing Agreements; Existing Indebtedness Agreements.

(a) On or prior to the Initial Borrowing Date, there shall have been delivered or made available to the Administrative Agent true and correct copies of all Plans (and for each Plan that is required to file an annual report on Internal Revenue Service Form, 5500-series, a copy of the most recent such report (including, to the extent required, the related financial and actuarial statements and opinions and other supporting statements, certifications, schedules and information), and for each Plan that is a "single-employer plan," as defined in Section 4001(a)(15) of ERISA, the most recently prepared actuarial valuation therefor) and any other "employee benefit plans," as defined in Section 3(3) of ERISA, and any other material agreements, plans or arrangements, with or for the benefit of current or former employees of Holdings or any of its Subsidiaries or any ERISA Affiliate (provided that the foregoing shall apply in the case of any multiemployer plan, as defined in Section 4001(a)(3) of ERISA, only to the extent that any document described therein is in the possession of Holdings, any Subsidiary of Holdings or any ERISA Affiliate or reasonably available thereto from the sponsor or trustee of any such Plan).

(b) On or prior to the Initial Borrowing Date, there shall have been delivered to the Administrative Agent true and correct copies of the following documents:

(i) all agreements entered into by Holdings or any of its Subsidiaries governing the terms and relative rights of its capital stock and any agreements entered into by shareholders relating to any such entity with respect to its capital stock (collectively, the "Shareholders' Agreements") ;

(ii) all material agreements with members of, or with respect to, the management of Holdings or any of its Subsidiaries (collectively, the "Management Agreements");

(iii) all material employment agreements entered into by Holdings or any of its Subsidiaries (collectively, the "Employment Agreements");

(iv) all non-compete agreements entered into by Holdings or any of its Subsidiaries (collectively, the "Non-Compete Agreements");

(v) all collective bargaining agreements applying or relating to any employee of Holdings or any of its Subsidiaries (collectively, the "Collective Bargaining Agreements");

(vi) all tax sharing, tax allocation and other similar agreements entered into by Holdings or any of its Subsidiaries (collectively, the "Tax Sharing Agreements"); and

(vii) all agreements evidencing or relating to Indebtedness of Holdings or any of its Subsidiaries which is to remain outstanding after giving effect to the incurrence of Loans on the Initial Borrowing Date (collectively, the "Existing Indebtedness Agreements");

all of which Shareholders' Agreements, Management Agreements, Employment Agreements, Non-Compete Agreements, Collective Bargaining Agreements, Tax Sharing Agreements and Existing Indebtedness Agreements shall be in form and substance reasonably satisfactory to the Agents and the Required Lenders and shall be in full force and effect on the Initial Borrowing Date.

5.06 Consummation of the Transaction. (a) On the Initial Borrowing Date, the Acquisition shall have been consummated in all material respects in accordance with the Acquisition Documents and all applicable laws, and each of the conditions precedent to the consummation of the Acquisition shall have been satisfied in all material respects and no material condition thereto waived, except with the consent of the Agents (which consent shall not be unreasonably withheld), to the reasonable satisfaction of the Agents.

(b) On the Initial Borrowing Date, (i) Holdings shall have received cash proceeds of at least $9,379,995 from the Equity Financing, (ii) Holdings shall have received cash proceeds of at least $20,636,022 from the issuance of a like principal amount of Holdings Subordinated Notes and (iii) Holdings shall have used the full amount of such Equity Financing proceeds and Holdings Subordinated Note proceeds to make payments owing in connection with the Transaction prior to utilizing any proceeds of the Loans for such purpose.

(c) On or prior to the Initial Borrowing Date, there shall have been delivered to the Agents and the Lenders true and correct copies of all Documents entered into in connection with the Transaction (including, without limitation, the Acquisition Documents, the Equity Financing Documents, the Holdings Subordinated Notes and the Merger Documents), and all of the terms and conditions of such Documents shall be in form and substance reasonably satisfactory to the Agents and the Required Lenders.

(d) On the Initial Borrowing Date, the Administrative Agent and certain affiliates of ECP which are shareholders of Holdings shall have entered into a Letter Agreement in the form of Exhibit M.

(e) The Administrative Agent shall have received evidence, in form and substance reasonably satisfactory to it, that the matters set forth in Sections 5.06(a) and (b) have been satisfied as of the Initial Borrowing Date.

5.07 Adverse Change, etc. (a) Nothing shall have occurred (and no Agent nor any Lender shall have become aware of any facts or conditions not previously known) which the Agents or the Required Lenders shall reasonably determine has had, or could reasonably be expected to have, a Material Adverse Effect.

(b) On or prior to the Initial Borrowing Date, all necessary governmental (domestic and foreign) and third party approvals and/or consents in connection with the Transaction and the other transactions contemplated by the Documents and otherwise referred to herein or therein shall have been obtained and remain in effect (other than immaterial approvals and/or consents relating to the Acquisition and the Merger), and all applicable waiting periods with respect thereto shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of the Transaction or the other transactions contemplated by the Documents or otherwise referred to herein or therein. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon the Transaction or the other transactions contemplated by the Documents or otherwise referred to herein or therein.

5.08 Litigation. On the Initial Borrowing Date, there shall be no actions, suits or proceedings pending or threatened which the Agents or the Required Lenders shall reasonably determine could reasonably be expected to have a Material Adverse Effect.

5.09 Pledge Agreement. On the Initial Borrowing Date, each Credit Party shall have duly authorized, executed and delivered the Pledge Agreement in the form of Exhibit G (as amended, modified or supplemented from time to time, the "Pledge Agreement") and shall have delivered to the Collateral Agent, as Pledgee thereunder, all of the Pledge Agreement Collateral, if any, referred to therein and owned by such Credit Party, (x) endorsed in blank in the case of promissory notes constituting Pledge Agreement Collateral and (y) together with executed and undated stock powers in the case of capital stock constituting Pledge Agreement Collateral.

5.10 Security Agreement. On the Initial Borrowing Date, each Credit Party shall have duly authorized, executed and delivered the Security Agreement in the form of Exhibit H (as modified, supplemented or amended from time to time, the "Security Agreement") covering all of such Credit Party's present and future Security Agreement Collateral, together with:

(i) proper Financing Statements (Form UCC-1 or the equivalent) fully executed for filing under the UCC or other appropriate filing offices of each jurisdiction as may be necessary or, in the reasonable opinion of the Collateral Agent, desirable to perfect the security interests purported to be created by the Security Agreement;

(ii) certified copies of Requests for Information or Copies (Form UCC-11), or equivalent reports, listing all effective financing statements that name any Credit Party or

any of its Subsidiaries as debtor and that are filed in the jurisdictions referred to in clause (i) above, together with copies of such other financing statements that name any Credit Party or any of its Subsidiaries as debtor (none of which shall cover any of the Collateral except to the extent evidencing Permitted Liens or in respect of which the Collateral Agent shall have received termination statements (Form UCC-3) or such other termination statements as shall be required by local law fully executed for filing); and

(iii) evidence that all other actions necessary or, in the reasonable opinion of the Collateral Agent, desirable to perfect and protect the security interests purported to be created by the Security Agreement have been taken (or will be taken promptly following the Initial Borrowing Date).

5.11 Subsidiaries Guaranty. On the Initial Borrowing Date, each Subsidiary Guarantor (if any) shall have duly authorized, executed and delivered the Subsidiaries Guaranty in the form of Exhibit I (as amended, modified or supplemented from time to time, the "Subsidiaries Guaranty").

5.12 Financial Statements; Pro Forma Balance Sheet; Projections. On or prior to the Initial Borrowing Date, the Administrative Agent shall have received true and correct copies of the historical financial statements, the pro forma balance sheet and the Projections referred to in Sections 7.05(a) and (d), which historical financial statements, pro forma balance sheet and Projections shall be in form and substance reasonably satisfactory to the Agents and the Required Lenders.

5.13 Solvency Letter; Insurance Certificates. On the Initial Borrowing Date, Holdings shall have delivered to the Administrative Agent:

(i) a solvency certificate from the chief financial officer of Holdings in the form of Exhibit J; and

(ii) certificates of insurance complying with the requirements of Section 8.03 for the business and properties of Holdings and its Subsidiaries, in form and substance reasonably satisfactory to the Agents and the Required Lenders and naming the Collateral Agent as an additional insured and as loss payee, and stating that such insurance shall not be canceled without at least 30 days prior written notice by the insurer to the Collateral Agent (or at least 10 days' prior written notice in the case of nonpayment of premiums).

5.14 Fees, etc. On the Initial Borrowing Date, the Borrower shall have paid to each Agent and each Lender all costs, fees and expenses (including, without limitation, legal fees and expenses) payable to such Agent and such Lender to the extent then due.

SECTION 6. Conditions Precedent to All Credit Events. The obligation of each Lender to make Loans (including Loans made on the Initial Borrowing Date), and the obligation of the Issuing Lender to issue Letters of Credit, is subject, at the time of each such Credit Event (except as hereinafter indicated), to the satisfaction of the following conditions:

6.01 No Default; Representations and Warranties. At the time of each such Credit Event and also after giving effect thereto (i) there shall exist no Default or Event of Default and (ii) all representations and warranties contained herein and in the other Credit Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on the date of such Credit Event (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

6.02 Notice of Borrowing; Letter of Credit Request. (a) Prior to the making of each Loan (other than a Swingline Loan or a Revolving Loan made pursuant to a Mandatory Borrowing), the Administrative Agent shall have received a Notice of Borrowing meeting the requirements of Section 1.03(a). Prior to the making of each Swingline Loan, the Swingline Lender shall have received the notice referred to in Section 1.03(b)(i).

(b) Prior to the issuance of each Letter of Credit, the Administrative Agent and the Issuing Lender shall have received a Letter of Credit Request meeting the requirements of Section 2.03(a).

The acceptance of the benefits of each Credit Event shall constitute a representation and warranty by each of Holdings and the Borrower to the Administrative Agent and each of the Lenders that all the conditions specified in Section 5 (with respect to Credit Events on the Initial Borrowing Date) and in this Section 6 (with respect to Credit Events on or after the Initial Borrowing Date) and applicable to such Credit Event exist as of that time. All of the Notes, certificates, legal opinions and other documents and papers referred to in Section 5 and in this Section 6, unless otherwise specified, shall be delivered to the Administrative Agent at the Notice Office (or, in the case of Credit Events to occur on the Initial Borrowing Date, at the offices of White & Case LLP, 1155 Avenue of the Americas, New York, New York) for the account of each of the Lenders and, except for the Notes, in such number of counterparts or copies as shall be specified by the Administrative Agent and shall be in form and substance reasonably satisfactory to the Agents and the Required Lenders.

SECTION 7. Representations, Warranties and Agreements. In order to induce the Lenders to enter into Agreement to make the Loans, and issue (or participate in) the Letters of Credit as provided herein, each of Holdings and the Borrower makes the following representations, warranties and agreements, in each case after giving effect to the Transaction, all of which shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans and issuance of the Letters of Credit, with the occurrence of each Credit Event on or after the Initial Borrowing Date being deemed to constitute a representation and warranty that the matters specified in Section 7 are true and correct in all material respects on and as of the Initial Borrowing Date and on the date of each such other Credit Event (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

7.01 Organizational Status. Each Credit Party and each of its Subsidiaries (i) is a duly organized and validly existing corporation, partnership or limited liability company, as the

case may be, in good standing under the laws of the jurisdiction of its organization, (ii) has the corporate, partnership or limited liability company power and authority, as the case may be, to own its property and assets and to transact the business in which it is engaged and presently proposes to engage and (iii) is duly qualified and is authorized to do business and is in good standing in each jurisdiction where the ownership, leasing or operation of its property or the conduct of its business requires such qualifications except for failures to be so qualified which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

7.02 Organizational and Other Power and Authority. Each Credit Party has the corporate, partnership or limited liability company power and authority, as the case may be, to execute, deliver and perform the terms and provisions of each of the Documents to which it is party and has taken all necessary action to authorize the execution, delivery and performance by it of each of such Documents. Each Credit Party has duly executed and delivered each of the Documents to which it is party, and each of such Documents constitutes its legal, valid and binding obligation enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law).

7.03 No Violation. Neither the execution, delivery or performance by any Credit Party of the Documents to which it is a party, nor compliance by it with the terms and provisions thereof, (i) will contravene any provision of any law, statute, rule or regulation or any order, writ, injunction or decree of any court or governmental instrumentality, (ii) will conflict with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien (except pursuant to the Security Documents) upon any of the property or assets of Holdings or any of its Subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, credit agreement or loan agreement, or any other material agreement, contract or instrument, in each case to which Holdings or any of its Subsidiaries is a party or by which it or any of its property or assets is bound or to which it may be subject or (iii) will violate any provision of the certificate or articles of incorporation or formation or by-laws (or equivalent organizational documents) of Holdings or any of its Subsidiaries.

7.04 Approvals. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except for (x) those that have otherwise been obtained or made on or prior to the Initial Borrowing Date and which remain in full force and effect on the Initial Borrowing Date, (y) immaterial consents or approvals relating to the Acquisition or the Merger or (z) those necessary to perfect the Liens created by the Security Documents) or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with, (i) the execution, delivery and performance of any Document or (ii) the legality, validity, binding effect or enforceability of any such Document.

7.05 Financial Statements; Financial Condition; Undisclosed Liabilities; Projections; etc. (a) The consolidated balance sheet of Resources - ----------
(i) for its fiscal year ended on

May 31, 1998 and (ii) for the period from June 1, 1998 through December 12, 1998, and (in each case) the related consolidated statements of income, cash flows and shareholders' equity of Resources for the fiscal year or other period ended on such dates, as the case may be, copies of which have been furnished to the Lenders prior to the Initial Borrowing Date, present fairly in all material respects the financial position of Resources at the dates of such balance sheets and the consolidated results of the operations of Holdings and its Subsidiaries for the periods covered thereby. All of the foregoing financial statements have been prepared in accordance with generally accepted accounting principles consistently applied. The pro forma consolidated balance sheet of Holdings and its Subsidiaries as of February 6, 1999 and after giving effect to the Transaction and the financing therefor, a copy of which has been furnished to the Lenders prior to the Initial Borrowing Date, presents fairly in all material respects the pro forma financial position of Holdings and its Subsidiaries as of February 6, 1999. After giving effect to the Transaction, since December 12, 1998, there has been no change in the business, operations, property, assets, liabilities or condition (financial or otherwise) of Holdings or any of its Subsidiaries that has had, or could reasonably be expected to have, a Material Adverse Effect.

(b) On and as of the Initial Borrowing Date and after giving effect to the Transaction and to all Indebtedness (including the Loans) being incurred or assumed and Liens created by the Credit Parties in connection therewith (i) the sum of the assets, at a fair valuation, of each of the Borrower on a stand-alone basis and of Holdings and its Subsidiaries taken as a whole will exceed its debts; (ii) each of the Borrower on a stand-alone basis and Holdings and its Subsidiaries taken as a whole has not incurred and does not intend to incur, and does not believe that it will incur, debts beyond its ability to pay such debts as such debts mature; and (iii) each of the Borrower on a stand-alone basis and Holdings and its Subsidiaries taken as a whole will have sufficient capital with which to conduct its business. For purposes of this Section 7.05(b), "debt" means any liability on a claim, and "claim" means (a) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured or (b) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

(c) Except as disclosed in the financial statements delivered pursuant to Section 7.05(a), there were as of the Initial Borrowing Date no liabilities or obligations with respect to Holdings or any of its Subsidiaries of any nature whatsoever (whether absolute, accrued, contingent or otherwise whether or not due) which, either individually or in aggregate, could reasonably be expected to be material to Holdings and its Subsidiaries taken as a whole. As of the Initial Borrowing Date, neither Holdings nor the Borrower knows of any basis for the assertion against it or any of its Subsidiaries of any liability or obligation of any nature whatsoever that is not disclosed in the financial statements delivered pursuant to Section 7.05(a) which, either individually or in the aggregate, could reasonably be expected to be material to Holdings and its Subsidiaries taken as a whole.

(d) The Projections delivered to the Agents and the Lenders prior to the Initial Borrowing Date have been prepared in good faith and are based on reasonable assumptions, and there are no statements or conclusions in the Projections which are based upon or include information known to Holdings or the Borrower to be misleading in any material respect or which fail to take into account material information known to Holdings or the Borrower regarding the matters reported therein. On the Initial Borrowing Date, Holdings and the Borrower believe that the Projections are reasonable and attainable, it being recognized by the Lenders, however, that projections as to future events are not to be viewed as facts and that the actual results during the period or periods covered by the Projections may differ from the projected results and that the differences may be material.

7.06 Litigation. There are no actions, suits or proceedings pending or, to the best knowledge of Holdings and the Borrower, threatened (i) with respect to the Transaction or any Document or (ii) that are reasonably likely to have a Material Adverse Effect.

7.07 True and Complete Disclosure. All factual information (taken as a whole) furnished by or on behalf of any Credit Party in writing to any Agent or any Lender (including, without limitation, all information contained in the Documents) for purposes of or in connection with this Agreement, the other Credit Documents or any transaction contemplated herein or therein is, and all other such factual information (taken as a whole) hereafter furnished by or on behalf of any Credit Party in writing to any Agent or any Lender will be, (x) true and accurate in all material respects on the date as of which such information is dated or certified and (y) to the best knowledge of Holdings and the Borrower, not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided (it being understood and agreed that the financial statements delivered pursuant to, and in accordance with the requirements of, Sections 8.01 (a), (b) and (c) shall not be subject to the representations and warranties set forth in preceding clause (y)).

7.08 Use of Proceeds; Margin Regulations. (a) All proceeds of the Term Loans will be used by the Borrower (i) to effect the Acquisition and (ii) to pay fees and expenses related to the Transaction.

(b) All proceeds of the Revolving Loans and the Swingline Loans shall be used for the working capital general corporate, partnership or limited liability company purposes, as the case may be, of the Borrower and its Subsidiaries; it being understood and agreed, however, that up to, but not more than, $7,000,000 of Revolving Loans and Swingline Loans in the aggregate may be used to effect the Acquisition and to pay any fees and expenses in connection therewith.

(c) No part of any Credit Event (or the proceeds thereof) will be used to purchase or carry any Margin Stock or to extend credit for the purpose of purchasing or carrying any Margin Stock. Neither the making of any Loan nor the use of the proceeds thereof nor the occurrence of any other Credit Event will violate or be inconsistent with the provisions of Regulation T, U or X of the Board of Governors of the Federal Reserve System.

7.09 Tax Returns and Payments. Each of Holdings and each of its Subsidiaries has filed all federal and state income tax returns and all other material tax returns, domestic and foreign, required to be filed by it and has paid all taxes and assessments payable by it which have become due, except for immaterial taxes and for those contested in good faith and adequately disclosed and fully provided for on the financial statements of Holdings and its Subsidiaries in accordance with generally accepted accounting principles. Each of Holdings and each of its Subsidiaries has at all times paid, or has provided adequate reserves (in the good faith judgment of the management of Holdings) for the payment of, all federal, state, local and foreign income taxes (other than immaterial taxes) applicable for all prior fiscal years and for the current fiscal year to date. There is no material action, suit, proceeding, investigation, audit, or claim now pending or, to the best knowledge of Holdings or the Borrower threatened, by any authority regarding any taxes relating to Holdings or any of its Subsidiaries which could reasonably be expected to result in a material liability to Holdings and its Subsidiaries taken as a whole. As of the Initial Borrowing Date, neither Holdings nor any of its Subsidiaries has entered into an agreement or waiver or been requested to enter into an agreement or waiver extending any statute of limitations relating to the payment or collection of taxes of Holdings or any of its Subsidiaries, or is aware of any circumstances that would cause the taxable years or other taxable periods of Holdings or any of its Subsidiaries not to be subject to the normally applicable statute of limitations.

7.10 Compliance with ERISA. (a) Each Plan (and each related trust, insurance contract or fund) is in material compliance with its terms and with all applicable laws, including, without limitation, ERISA and the Code; each Plan (and each related trust, if any) which is intended to be qualified under Section 401 (a) of the Code is so qualified or has received a determination letter from the Internal Revenue Service to the effect that it meets the requirements of Sections 401 (a) and 501 (a) of the Code; no Reportable Event has occurred (i) with respect to a Plan to which Holdings or any Subsidiary of Holdings contributes which may reasonably be expected to result in a material liability to Holdings or any Subsidiary of Holdings or (ii) with respect to any other Plan which may reasonably be expected to result in a Material Adverse Effect; to the knowledge of Holdings and the Borrower, no Plan which is a multiemployer plan (as defined in Section 4001(a)(3) of ERISA) is insolvent or in reorganization; no Plan has an Unfunded Current Liability which, when added to the Unfunded Current Liabilities of all other Plans, could reasonably be expected to result in a Material Adverse Effect; no Plan which is subject to Section 412 of the Code or Section 302 of ERISA has an accumulated funding deficiency, within the meaning of such sections of the Code or ERISA, or has applied for or received a waiver of an accumulated funding deficiency or an extension of any amortization period, within the meaning of Section 412 of the Code or Section 303 or 304 of ERISA which deficiency, waiver or extension is reasonably likely to result in a material liability to Holdings or any Subsidiary of Holdings; all contributions required to be made with respect to a Plan have been timely made except to the extent that any such delinquency could not reasonably be expected to have a Material Adverse Effect and will not cause the imposition of a Lien; none of Holdings or any Subsidiary of Holdings or, to the knowledge of Holdings the Borrower, any ERISA Affiliate has incurred any liability (including any indirect, contingent or secondary liability) that is reasonably likely to have a Material Adverse Effect to or on account of a Plan pursuant to Section 409, 502(i), 502(1) or 515 of ERISA or Section 401(a)(29), 4971 or 4975 of the Code or is reasonably likely to incur any such liability under any of the foregoing sections with respect to any

Plan; none of Holdings or any Subsidiary of Holdings, or to the knowledge of Holdings, any ERISA Affiliate has incurred any unsatisfied material liability (including any indirect, contingent or secondary liability) to or on account of Section 4062, 4063, 4064, 4069, 4201, 4204, or 4212 of ERISA or is reasonably likely to incur any material liability under any of the foregoing Sections with respect to any Plan; no condition exists which presents a material risk to Holdings or any Subsidiary of Holdings or any ERISA Affiliate of incurring a liability to or on account of a Plan pursuant to the foregoing provisions of ERISA and the Code that is reasonably likely to have a Material Adverse Effect; no proceedings have been instituted to terminate or appoint a trustee to administer any Plan which is subject to Title IV of ERISA which is reasonably likely to result in a material liability to Holdings or any of its Subsidiaries; no action, suit, proceeding, hearing, audit or investigation with respect to the administration, operation or the investment of assets of any Plan (other than routine claims for benefits) is pending, expected or threatened which is reasonably likely to have a Material Adverse Effect; using actuarial assumptions and computation methods consistent with Part 1 of subtitle E of Title IV of ERISA, the aggregate liabilities of Holdings and its Subsidiaries and its ERISA Affiliates to all Plans which are multiemployer plans (as defined in Section 4001(a)(3) of ERISA) in the event of a complete withdrawal therefrom, as of the close of the most recent fiscal year of each such Plan ended prior to the date of the most recent Credit Event, could not reasonably be expected to have a Material Adverse Effect; each Plan that is a group health plan (as defined in Section 607(1) of ERISA or Section 4980B(g)(2) of the Code) is in compliance with the provisions of Part 6 of subtitle B of Title I of ERISA and Section 4980B of the Code except for such non-compliance that is not reasonably likely to have a Material Adverse Effect; no lien imposed under the Code or ERISA in a material amount on the assets of Holdings or any Subsidiary of Holdings or any ERISA Affiliate exists or is reasonably likely to arise on account of any Plan; and Holdings and its Subsidiaries may cease contributions to or terminate any employee benefit plan maintained by any of them without incurring any material liability.

(b) Except as is not reasonably likely to have a Material Adverse Effect: (i) each Foreign Pension Plan has been maintained in material compliance with its terms and with the requirements of any and all applicable laws, statutes, rules, regulations and orders and has been maintained, where required, in good standing with applicable regulatory authorities; (ii) all contributions required to be made with respect to a Foreign Pension Plan have been timely made; (iii) neither Holdings nor any of its Subsidiaries has incurred any obligation in connection with the termination of or withdrawal from any Foreign Pension Plan; and (iv) the present value of the accrued benefit liabilities (whether or not vested) under each Foreign Pension Plan, determined as of the end of the Holdings' recently ended fiscal year on the basis of actuarial assumptions, each of which is reasonable, did not exceed the current value of the assets of such Foreign Pension Plan allocable to such benefit liabilities.

7.11 The Security Documents. (a) The provisions of the Security
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Agreement are effective to create in favor of the Collateral Agent for the benefit of the Secured Creditors a legal, valid and enforceable security interest in all right, title and interest of the Credit Parties in the Security Agreement Collateral described therein, and, when financing statements in proper form have been filed in the proper filing offices and the recordation described in the immediately succeeding sentence have been completed (which filings and recordations have been made if this representation and warranty is made or deemed made on or after the tenth day after the Initial

Borrowing Date), the Collateral Agent, for the benefit of the Secured Creditors, will have, or has, as the case may be, a fully perfected first lien on, and security interest in, all right, title and interest in all of the Security Agreement Collateral described therein, subject to no other Liens other than Permitted Liens. The recordation of (x) the Grant of Security Interest in U.S. Patents and (y) the Grant of Security Interest in U.S. Trademarks in the respective form attached to the Security Agreement, in each case in the United States Patent and Trademark Office, together with filings on Form UCC-1 made pursuant to the Security Agreement, will create, as may be perfected by such filings and recordation, a perfected security interest in the United States trademarks and patents (if any) covered by the Security Agreement, and the recordation of the Grant of Security Interest in U.S. Copyrights in the form attached to the Security Agreement with the United States Copyright Office, together with filings on Form UCC-1 made pursuant to the Security Agreement, will create, as may be perfected by such filings and recordation, a perfected security interest in the United States copyrights (if any) covered by the Security Agreement.

(b) The security interests created in favor of the Collateral Agent, as Pledgee, for the benefit of the Secured Creditors, under the Pledge Agreement, when financing statements in proper form have been filed in the proper filing offices with respect to the portion of the Pledge Agreement Collateral not constituting certificated securities or the relevant certificated securities have been delivered to the Collateral Agent ((x) which filings have been made if this representation and warranty is made or deemed made on or after the tenth day after the Initial Borrowing Date and (y) which deliveries have been made) constitute first priority perfected security interests in the Pledge Agreement Collateral described in the Pledge Agreement, subject to no security interests of any other Person. No filings or recordings are required in order to perfect (or maintain the perfection or priority of) the security interests created in that portion of the Pledge Agreement Collateral that constitutes certificated securities or notes in the possession of the Collateral Agent.

7.12 Representations and Warranties in the Documents. All representations and warranties set forth in the other Documents were true and correct in all material respects at the time as of which such representations and warranties were made (or deemed made) and shall be true and correct in all material respects as of the Initial Borrowing Date as if such representations and warranties were made on and as of such date, unless stated to relate to a specific earlier date, in which case such representations warranties shall be true and correct in all material respects as of such earlier date; provided however, that insofar as the representations and warranties set forth in Section 3.1 of the Acquisition Agreement which (i) relate to Deloitte & Touche LLP and Deloitte & Touche Acquisition Company LLC or (ii) are not qualified to the "Knowledge of Seller (as such expression is defined in the Acquisition Agreement) are concerned, the representations and warranties set forth in Section 7.12 are made only to the best knowledge of Holdings and the Borrower.

7.13 Capitalization. (a) On the Initial Borrowing Date and after giving effect to the Transaction and the other transactions contemplated hereby, the authorized capital stock of Holdings shall consist of (i) 3,500,000 shares of common stock, $.01 par value per share, of which (x) 2,500,000 shares shall consist of Class A common stock, (y) 300,000 shares shall consist of Class B common stock and (z) 700,000 shares consist of Class C common stock, and (ii) 500,000 shares of preferred stock, $.01 par value per share, of which no shares shall be

issued and outstanding. All outstanding shares of the capital stock of Holdings have been duly and validly issued and are fully paid and non-assessable. Holdings does not have outstanding any securities convertible into or exchangeable for its capital stock or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock, except (i) as set forth in any Shareholders' Agreement as in effect on the Initial Borrowing Date and (ii) for options and warrants to purchase shares of Holdings' common stock or Qualified Preferred Stock which may be issued from time to time.

(b) All outstanding membership interests of the Borrower have been duly and validly issued and are fully paid and non-assessable and owned by Holdings. The Borrower does not have outstanding any securities convertible into or exchangeable for its membership interests or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its membership interests.

7.14 Subsidiaries. As of the Initial Borrowing Date, the corporations, partnerships and limited liability companies listed on Schedule IV are all of the Subsidiaries of Holdings. Schedule IV correctly sets forth, as of the Initial Borrowing Date, the percentage ownership (direct or indirect) of Holdings in each class of capital stock or other equity of each of its Subsidiaries and also identifies the direct owner thereof.

7.15 Compliance with Statutes. etc. Each of Holdings and each of its Subsidiaries is in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, applicable statutes, regulations, orders and restrictions relating to environmental standards and controls), except such noncompliances as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

7.16 Investment Company Act. Neither Holdings nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

7.17 Public Utility Holding Company Act. Neither Holdings nor any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

7. 18 Environmental Matters. (a) Each of Holdings and each of its Subsidiaries has complied with, and on the date of each Credit Event is in compliance with, all applicable Environmental Laws and the requirements of any permits issued under such Environmental Laws. There are no pending or, to the best knowledge of Holdings and the Borrower, threatened Environmental Claims against Holdings or any of its Subsidiaries (including any such claim arising out of the ownership, lease or operation by Holdings or any of its Subsidiaries of any Real Property no longer owned, leased or operated by Holdings or any of its Subsidiaries) or any Real

Property owned, leased or operated by Holdings or any of its Subsidiaries. There are no facts, circumstances, conditions or occurrences with respect to the business or operations of Holdings or any of its Subsidiaries, or any Real Property owned, leased or operated by Holdings or any of its Subsidiaries (including, to the best knowledge of Holdings and the Borrower, any Real Property formerly owned, leased or operated by Holdings or any of its Subsidiaries but no longer owned, leased or operated by Holdings or any of its Subsidiaries) or, to the best knowledge of Holdings and the Borrower, any property adjoining or adjacent to any such Real Property that could be reasonably expected (i) to form the basis of an Environmental Claim against Holdings or any of its Subsidiaries or any Real Property owned, leased or operated by Holdings or any of its Subsidiaries or (ii) to cause any Real Property owned, leased or operated by Holdings or any of its Subsidiaries to be subject to any restrictions on the ownership, lease, occupancy or transferability of such Real Property by Holdings or any of its Subsidiaries under any applicable Environmental Law.

(b) Hazardous Materials have not at any time been generated, used, treated or stored on, or transported to or from, any Real Property owned, leased or operated by Holdings or any of its Subsidiaries where such generation, use, treatment, storage or transportation has violated or could reasonably be expected to violate any Environmental Law or give rise to an Environmental Claim. Hazardous Materials have not at any time been Released on or from any Real Property owned, leased or operated by Holdings or any of its Subsidiaries where such Release has violated or could reasonably be expected to violate any applicable Environmental Law.

(c) Notwithstanding anything to the contrary in this Section 7.18, the representations and warranties made in this Section 7.18 shall not be untrue unless the effect of any or all conditions, violations, claims, restrictions, failures and noncompliances of the types described above could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

7.19 Labor Relations. Neither Holdings nor any of its Subsidiaries is engaged in any unfair labor practice that could reasonably be expected to have a Material Adverse Effect. There is (i) no unfair labor practice complaint pending against Holdings or any of its Subsidiaries or, to the best knowledge of Holdings and the Borrower, threatened against any of them, before the National Labor Relations Board, and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement is so pending against Holdings or any of its Subsidiaries or, to the best knowledge of Holdings and the Borrower, threatened against any of them, (ii) no strike, labor dispute, slowdown or stoppage pending against Holdings or any of its Subsidiaries or, to the best knowledge Holdings and the Borrower, threatened against Holdings or any of its Subsidiaries and (iii) no union representation question exists with respect to the employees of Holdings or any of its Subsidiaries, except (with respect to any matter specified in clause (i), (ii) or (iii) above, either individually or in the aggregate) such as could not reasonably be expected to have a Material Adverse Effect.

7.20 Properties. Each of Holdings and each of its Subsidiaries has good and marketable title to, or a validly subsisting leasehold interest in, all material properties owned or leased by it, including all material property reflected in the most recent historical balance sheet

referred to in Section 7.05(a) (except as sold or otherwise disposed of since the date of such balance sheet as permitted by the terms of this Agreement), free and clear of all Liens, other than Permitted Liens.

7.21 Patents, Licenses, Franchises and Formulas. Each of Holdings and each of its Subsidiaries owns or has the right to use all the patents, trademarks, permits, service marks, trade names, copyrights, licenses, franchises, proprietary information (including but not limited to rights in computer programs and databases) and formulas, or rights with respect to the foregoing, and has obtained assignments of all leases and other rights of whatever nature, necessary for the present conduct of its business, without any known conflict with the rights of others which, or the failure to obtain which, as the case may be, could reasonably be expected to result in a Material Adverse Effect.

7.22 Indebtedness. Schedule VI sets forth a true and complete list of all Indebtedness (including Contingent Obligations) of Holdings and its Subsidiaries as of the Initial Borrowing Date and which is to remain outstanding after giving effect to the Transaction (excluding the Loans, the Letters of Credit and the Holdings Subordinated Notes, the "Existing Indebtedness"), in each case showing the aggregate principal amount thereof and the name of the respective borrower and any Credit Party or any of its Subsidiaries which directly or indirectly guarantees such debt.

7.23 Merger. At the time of consummation thereof, the Merger shall have been consummated in all material respects in accordance with the terms of the Merger Documents and all applicable laws. At the time of consummation thereof, all consents and approvals of, and filings and registrations with, and all other actions in respect of, all governmental agencies, authorities or instrumentalities required in order to consummate the Merger have been obtained, given, filed or taken and are or will be in full force and effect (or effective judicial relief with respect thereto has been obtained). All applicable waiting periods with respect thereto have or, prior to the time when required, will have, expired without, in all such cases, any action being taken by any competent authority which restrains, prevents, or imposes material adverse conditions upon the Merger. Additionally, there does not exist any judgment, order or injunction prohibiting or imposing material adverse conditions upon the Merger, or performance by any Credit Party of its obligations under the Merger Documents to which it is party. All actions taken by each Credit Party pursuant to or in furtherance of the Merger have been taken in all material respects in compliance with the Merger Documents and all applicable laws.

7.24 Insurance. Schedule VII sets forth a true and complete listing of all insurance maintained by Holdings and its Subsidiaries as of the Initial Borrowing Date, with the amounts insured (and any deductibles) set forth therein.

7.25 Year 2000 All of Holdings' and its Subsidiaries' Information Systems and Equipment are either Year 2000 Compliant, or any reprogramming, remediation or any other corrective action, including the internal testing of all such Information Systems and Equipment, will be completed by November 1, 1999. Further, to the extent that any such reprogramming, remediation or other corrective action is required, the cost thereof (as well as the cost of the reasonably foreseeable consequences of the failure to become Year 2000 Compliant) to Holdings

and its Subsidiaries (including, without limitation, reprogramming errors and the failure of other systems or equipment) will not (x) result in a Default or an Event of Default or (y) have a Material Adverse Effect.

7.26 Special Purpose Corporation. Holdings and Acquisition Corp. were formed to effect the Transaction. Prior to the consummation of the Transaction, neither Holdings nor Acquisition Corp. had any significant assets or liabilities (other than those liabilities under the Acquisition Documents and the Equity Financing Documents).

7.27 Subordination. The subordination provisions contained in the Holdings Subordinated Notes are enforceable against Holdings and the holders of the Holdings Subordinated Notes, and all Guaranteed Obligations are within the definition of "Senior Indebtedness" included in such subordination provisions.

SECTION 8. Affirmative Covenants. Each of Holdings and the Borrower hereby covenants and agrees that on and after the Effective Date and until the Total Commitment and all Letters of Credit have terminated and the Loans, Notes and Unpaid Drawings (in each case together with interest thereon), Fees and all other Obligations (other than indemnities described in Section 13.13 which are not then due and payable) incurred hereunder and thereunder, are paid in full:

8.01 Information Covenants. Holdings will furnish to each Lender:

(a) Monthly Reports. Within 30 days after the end of each fiscal month of Holdings (commencing with its fiscal month ending on February 28, 1999), the consolidated balance sheet of Holdings and its Subsidiaries as at the end of such fiscal month and the related consolidated statement of income for such fiscal month and for the elapsed portion of the fiscal year ended with the last day of such fiscal month, in each case setting forth comparative figures for the corresponding fiscal month in the prior fiscal year, all of which shall be certified by the chief financial officer of Holdings that they fairly present in all material respects in accordance with generally accepted accounting principles the financial condition of Holdings and its Subsidiaries as of the dates indicated and the results of their operations for the periods indicated, subject to normal year-end audit adjustments and the absence of footnotes; it being understood and agreed that until the month ending August 31, 1999, each fiscal month referred to above in this clause (a) shall instead refer to the end of each four week fiscal period of Holdings.

(b) Quarterly Financial Statements. Within 45 days after the close of the first three quarterly accounting periods in each fiscal year of Holdings (commencing with its quarterly accounting period ending on August 31, 1999), (i) the consolidated balance sheet of Holdings and its Subsidiaries as at the end of such quarterly accounting period and the related consolidated statements of income and retained earnings statement of cash flows for such quarterly accounting period and for the elapsed portion of the fiscal year ended with the last day of such quarterly accounting period, in each case setting forth comparative figures for the related periods in the prior fiscal year (but only commencing with the financial statements delivered in respect of the quarterly accounting period ending closest to February 28, 2000) and comparable budgeted figures for such quarterly accounting period, all of which shall be certified by the chief financial

officer of Holdings that they fairly present in all material respects in accordance with generally accepted accounting principles the financial condition of Holdings and its Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows for the periods indicated, subject to normal year-end audit adjustments and the absence of footnotes, and (ii) commencing with its quarterly accounting period ending closest to August 31, 2000, management's discussion and analysis of the important operational and financial developments during such quarterly accounting period.

(c) Annual Financial Statements. Within 90 days after the close of each fiscal year of Holdings, (i) the consolidated balance sheet of Holdings and its Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and statement of cash flows for such fiscal year setting forth comparative figures for the preceding fiscal year and certified by Pricewaterhouse Coopers or such other independent certified public accountants of recognized national standing reasonably acceptable to the Agents, together with a report of such accounting firm stating that in the course of its regular audit of the financial statements of Holdings and its Subsidiaries, which audit was conducted in accordance with generally accepted auditing standards, such accounting firm obtained no knowledge of any Default or an Event of Default which has occurred and is continuing with respect to financial or accounting matters or, if in the opinion of such accounting firm such a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof, and (ii) commencing with its fiscal year ending closest to May 31, 2001, management's discussion and analysis of the important operational and financial developments during such fiscal year.

(d) Management Letters. Promptly after Holdings' or any of its Subsidiaries' receipt thereof, a copy of any "management letter" received from its certified public accountants and management's response thereto.

(e) Budgets and Projections. No later than 30 days following the first day of each fiscal year of Holdings, a budget in form reasonably satisfactory to the Agents (including budgeted statements of income and balance sheets) prepared by Holdings (i) for each of the four fiscal quarters of such fiscal year prepared in detail, (ii) for each of the immediately two succeeding fiscal years prepared in summary form and (iii) for any other period for which Holdings may prepare budgets for its Board of Directors or shareholders, in each case setting forth, with appropriate discussion, the principal assumptions upon which such budgets are based.

(f) Officer's Certificates. At the time of the delivery of the financial statements provided for in Sections 8.01(b) and (c), a certificate of the chief financial officer of Holdings certifying on behalf of Holdings that, to the best of such officer's knowledge, no Default or Event of Default has occurred and is continuing or, if any Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof, which certificate shall (i) set forth in reasonable detail the calculations required to establish whether Holdings and its Subsidiaries were in compliance with the provisions of Sections 4.02(e), 4.02(f) (to the extent delivered with the financial statements required by Section 8.01(c)), 4.02(g), 9.02(ii), 9.03(ii), 9.03(v), 9.04, 9.05 and 9.07 through 9. 10, inclusive, at the end of such fiscal quarter or year, as the case may be, and (ii) if delivered with the financial statements required by Section 8.01(c), set forth in reasonable

detail the amount of (and the calculations required to establish the amount of) Excess Cash Flow for the respective Excess Cash Payment Period.

(g) Notice of Default or Litigation. Promptly, and in any event within five Business Days' after any officer of any Credit Party obtains knowledge thereof, notice of (i) the occurrence of any event which constitutes a Default or an Event of Default and (ii) any litigation or governmental investigation or proceeding pending (x) against Holdings or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect or (y) with respect to the Transaction or any Document.

(h) Other Reports and Filings. Promptly after the filing or delivery thereof, copies of all financial information, proxy materials and reports, if any, which Holdings or any of its Subsidiaries shall publicly file with the Securities and Exchange Commission or any successor thereto (the "SEC") or deliver to holders (or any trustee, agent or other representative therefor) of its material Indebtedness pursuant to the terms of the documentation governing such Indebtedness.

(i) Environmental Matters. Promptly after any officer of any Credit Party obtains knowledge thereof, notice of one or more of the following environmental matters, unless such environmental matters could not, individually or when aggregated with all other such environmental matters, be reasonably expected to have a Material Adverse Effect:

(i) any pending or threatened Environmental Claim against Holdings or any of its Subsidiaries or any Real Property owned, leased or operated by Holdings or any of its Subsidiaries;

(ii) any condition or occurrence on or arising from any Real Property owned, leased or operated by Holdings or any of its Subsidiaries that (a) results in noncompliance by Holdings or any of its Subsidiaries with any applicable Environmental Law or (b) could be expected to form the basis of an Environmental Claim against Holdings or any of its Subsidiaries or any such Real Property;

(iii) any condition or occurrence on any Real Property owned, leased or operated by Holdings or any of its Subsidiaries that could be expected to cause such Real Property to be subject to any restrictions on the ownership, lease, occupancy, use or transferability by Holdings or any of its Subsidiaries of such Real Property under any Environmental Law; and

(iv) the taking of any removal or remedial action in response to the actual or alleged presence of any Hazardous Material on any Real Property owned, leased or operated by Holdings or any of its Subsidiaries as required by any Environmental Law or any governmental or other administrative agency; provided that in any event Holdings shall deliver to each Lender all notices received by Holdings or any of its Subsidiaries from any government or governmental agency under, or pursuant to, CERCLA which identify Holdings or any of its Subsidiaries as potentially responsible parties for redemption costs

or which otherwise notify Holdings or any of its Subsidiaries of potential liability under CERCLA.

All such notices shall describe in reasonable detail the nature of the claim, investigation, condition, occurrence or removal or remedial action and Holdings or such Subsidiary's response thereto.

(j) Other Information. From time to time, such other information or documents (financial or otherwise) with respect to Holdings or any of its Subsidiaries as any Agent or any Lender may reasonably request.

8.02 Books, Records and Inspections; Annual Meetings. (a) Holdings will, and will cause each of its Subsidiaries to, keep proper books of record and accounts in which full, true and correct entries in conformity with generally accepted accounting principles and all requirements of law shall be made of all dealings and transactions in relation to its business and activities. Holdings will, and will cause each of its Subsidiaries to, permit officers and designated representatives of any Agent or any Lender to visit and inspect, under guidance of officers of Holdings or such Subsidiary, any of the properties of Holdings or such Subsidiary, and to examine the books of account of Holdings or such Subsidiary and discuss the affairs, finances and accounts of Holdings or such Subsidiary with, and be advised as to the same by, its and their officers and independent accountants, all upon reasonable prior notice and at such reasonable times and intervals and to such reasonable extent as such Agent or such Lender may reasonably request.

(b) At a date to be mutually agreed upon between the Agents and Holdings occurring on or prior to the 120th day after the close of each fiscal year of Holdings, Holdings shall, at the reasonable request of the Agents, hold a meeting (or a conference call) with all of the Lenders at which meeting (or conference call) shall be reviewed the financial results of Holdings and its Subsidiaries for the previous fiscal year and the budgets presented for the current fiscal year of Holdings.

8.03 Insurance; Good Repair. (a) Holdings will, and will cause each of its Subsidiaries to, (i) maintain with financially sound and reputable insurance companies insurance on all such property in at least such amounts and against at least such risks as is consistent and in accordance with industry practice for companies similarly situated owning similar properties in the same general areas in which Holdings or any of its Subsidiaries operates and (ii) furnish to the Administrative Agent, together with each set of financial statements delivered pursuant to Section 8.01(c), full information as to the insurance carried.

(b) Holdings will, and will cause each of its Subsidiaries to, at all times keep its property insured in favor of the Collateral Agent, and all policies or certificates (or certified copies thereof) with respect to such insurance (i) shall be endorsed to the Collateral Agent's satisfaction for the benefit of the Collateral Agent (including, without limitation, by naming the Collateral Agent as loss payee and/or additional insured), (ii) shall state that such insurance policies shall not be canceled without at least 30 days' prior written notice thereof by the respective insurer to the Collateral Agent, and (iii) shall be deposited with the Collateral Agent.

(c) If Holdings or any of its Subsidiaries shall fail to insure its property in accordance with this Section 8.03, or if Holdings or any of its Subsidiaries shall fail to so endorse and deposit all policies or certificates with respect thereto, the Collateral Agent shall have the right (but shall be under no obligation) to procure such insurance and Holdings and the Borrower agree to reimburse the Collateral Agent for all reasonable costs and expenses of procuring such insurance.

(d) Holdings will, and will cause each of its Subsidiaries to, ensure that its material properties and equipment used in its business are kept in good repair, working order and condition (ordinary wear and tear excepted), and that from time to time there are made in such properties and equipment all needful and proper repairs, renewals, replacements, extensions, additions, betterments and improvements thereto, to the extent and in the manner useful or customary for companies in similar businesses.

8.04 Organizational Franchises. Holdings will, and will cause each of its Subsidiaries to, do or cause to be done, all things necessary to preserve and keep in full force and effect its existence and its material rights, franchises, licenses and patents; provided, however, that nothing in this Section 8.04 shall prevent (i) sales of assets and other transactions by Holdings or any of its Subsidiaries in accordance with Section 9.02 or (ii) the withdrawal by Holdings or any of its Subsidiaries of its qualification as a foreign corporation in any jurisdiction where such withdrawal could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.05 Compliance with Statutes, etc. Holdings will, and will cause each of its Subsidiaries to, comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including applicable statutes, regulations, orders and restrictions relating to environmental standards and controls), except such noncompliances as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.06 Compliance with Environmental Laws. Holdings will comply, and will cause each of its Subsidiaries to comply, with all Environmental Laws and permits applicable to, or required by, the ownership, lease or use of its Real Property now or hereafter owned, leased or operated by Holdings or any of its Subsidiaries, except such noncompliances as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and will promptly pay or cause to be paid all costs and expenses incurred in connection with such compliance, and will keep or cause to be kept all such Real Property free and clear of any Liens imposed pursuant to such Environmental Laws. Neither Holdings nor any of its Subsidiaries will generate, use, treat, store, Release or dispose of, or permit the generation, use, treatment, storage, Release or disposal of Hazardous Materials on any Real Property now or hereafter owned, leased or operated by Holdings or any of its Subsidiaries, or transport or permit the transportation of Hazardous Materials to or from any such Real Property, except for Hazardous Materials generated, used, treated, stored, Released or disposed of at any such Real Properties as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.07 ERISA As soon as reasonably practicable and, in any event, within twelve (12) days after Holdings, any Subsidiary of Holdings or, to the knowledge of Holdings or the Borrower, any ERISA Affiliate knows or has reason to know of the occurrence of any of the following with respect to a Plan, Holdings will deliver to the Administrative Agent a certificate of the chief financial officer of Holdings setting forth in reasonable detail information as to such occurrence and the action, if any, that Holdings, such Subsidiary or, to the knowledge of Holdings or the Borrower, such ERISA Affiliate is required or proposes to take, together with any notices required or proposed to be given to or filed with or by Holdings, the Subsidiary, to the knowledge of Holdings or the Borrower, the ERISA Affiliate, the PBGC or any other governmental agency, a Plan participant or the Plan administrator with respect thereto: that a Reportable Event has occurred (except to the extent that Holdings has previously delivered to the Administrative Agent a certificate and notices (if any) concerning such event pursuant to the next clause hereof); that, to the knowledge of Holdings or the Borrower, a contributing sponsor (as defined in Section 4001(a)(13) of ERISA) of a Plan subject to Title IV of ERISA is subject to the advance reporting requirement of PBGC Regulation Section 4043.61 (without regard to subparagraph (b)(1) thereof), and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 is reasonably likely expected to occur with respect to such Plan within the following 30 days; that an accumulated funding deficiency, within the meaning of Section 412 of the Code or Section 302 of ERISA, has been incurred or an application may be or has been made for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code or Section 303 or 304 of ERISA with respect to a Plan; that any contribution required to be made with respect to a Plan or Foreign Pension Plan has not been timely made which delinquency is reasonably likely to have a Material Adverse Effect or has resulted or is reasonably likely to result in the imposition of a Lien or the posting of a bond or other security; that a Plan has been or is reasonably likely to be terminated, reorganized, partitioned or declared insolvent under Title IV of ERISA; that a Plan has an Unfunded Current Liability which is reasonably likely to have a Material Adverse Effect; that proceedings may reasonably be expected to be or have been instituted to terminate in a distress termination or appoint a trustee to administer a Plan which is subject to Title IV of ERISA; that a proceeding has been instituted pursuant to Section 515 of ERISA to collect a delinquent contribution to a Plan which delinquency is reasonably likely to have a Material Adverse Effect; that Holdings, any Subsidiary of Holdings or any ERISA Affiliate will or is reasonably likely to incur any material liability (including any indirect, contingent, or secondary liability) to or on account of the termination of or withdrawal from a Plan under Section 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or with respect to a Plan under Section 401(a)(29), 4971, 4975 or 4980 of the Code or Section 409 or 502(i) or 502(l) of ERISA or with respect to a group health plan (as defined in Section 607(l) of ERISA or Section 4980B(g)(2) of the Code) under Section 4980B of the Code; or that Holdings or any Subsidiary of Holdings is reasonably likely to incur any material liability pursuant to any employee welfare benefit plan (as defined in Section 3(l) of ERISA) that provides benefits to retired employees or other former employees (other as required by Section 601 of ERISA) or any Plan or any Foreign Pension Plan. Holdings will deliver to the Administrative Agent copies of any records, documents or other information that must be furnished to the PBGC with respect to any Plan pursuant to Section 4010 of ERISA.

8.08 End of Fiscal Years; Fiscal Quarters. Holdings will cause (i) each of its, and each of its Subsidiaries', fiscal years to be based on a 52 week year ending at the end of May of each year and (ii) each of its, and each of its Subsidiaries', fiscal quarters to be based on a 13 week period consistent with a fiscal year end as provided in preceding clause (i).

8.09 Performance of Obligations. Holdings will, and will cause each of its Subsidiaries to, perform all of its obligations under the terms of each mortgage, indenture, security agreement, loan agreement or credit agreement and each other material agreement, contract or instrument by which it is bound, except such non-performances as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect (it being understood and agreed, however, that no Event of Default shall arise under this Section 8.09 with respect to any Indebtedness of Holdings or any of its Subsidiaries unless an Event of Default also shall occur under Section 10.04).

8.10 Payment of Taxes. Holdings will pay and discharge, and will cause each of its Subsidiaries to pay and discharge, all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims for sums that have become due and payable which, if unpaid, might become a Lien not otherwise permitted under Section 9.01(i); provided that neither Holdings nor any of its Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim which is immaterial or which is being contested in good faith and by proper proceedings if it has maintained adequate reserves with respect thereto in accordance with generally accepted accounting principles.

8.11 Interest Rate Protection. No later than 90 days following the Initial Borrowing Date, the Borrower will enter into Interest Rate Protection Agreements mutually agreeable to the Borrower and the Administrative Agent, with a term of at least two years, establishing a fixed or maximum interest rate reasonably acceptable to the Administrative Agent for an aggregate amount equal to at least 50% of the aggregate principal amount of all Term Loans then outstanding.

8.12 Additional Security; Further Assurances. (a) Holdings will, and will cause each of its Wholly-Owned Domestic Subsidiaries and, to the extent required by Section 8.16, each of its Wholly-Owned Foreign Subsidiaries to, grant to the Collateral Agent security interests and mortgages in such assets and properties of Holdings and such Subsidiaries as are not covered by the original Security Documents, and as may be reasonably requested from time to time by the Administrative Agent or the Required Lenders (collectively, the "Additional Security Documents"). All such security interests and mortgages shall be granted pursuant to documentation reasonably satisfactory in form and substance to the Administrative Agent and Borrower and shall constitute valid and enforceable perfected security interests and mortgages superior to and prior to the rights of all third Persons and subject to no other Liens except for Permitted Liens. The Additional Security Documents or instruments related thereto shall be duly recorded or filed in such manner and in such places as are required by law to establish, perfect, preserve and protect the Liens in favor of the Collateral Agent required to be granted pursuant to the Additional Security Documents and all taxes, fees and other charges payable in connection therewith shall be paid in full.

(b) Holdings will, and will cause each of its Subsidiaries to, at the expense of Holdings and the Borrower, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, real property surveys, reports and other assurances or instruments and take such further steps relating to the creation, perfection and priority of the Liens on the Collateral covered by any of the Security Documents as the Collateral Agent may reasonably require. Furthermore, Holdings and the Borrower will use their reasonable best efforts to cause to be delivered to the Collateral Agent such opinions of counsel, title insurance and other related documents as may be reasonably requested by the Administrative Agent to assure itself that this Section 8.12 has been complied with.

(c) Holdings and the Borrower agree that each action required above by this Section 8.12 shall be completed as soon as possible, but in no event later than 60 days after such action is either requested to be taken by the Administrative Agent or the Required Lenders or required to be taken by Holdings and/or its Subsidiaries pursuant to the terms of this Section 8.12; provided --------
that, in no event will Holdings or any of its Subsidiaries be required to take any action, (x) other than using its reasonable efforts, to obtain consents from third parties with respect to its compliance with this Section 8.12 or (y) with respect to any property to the extent that the taking of such action would violate a contractual obligation applicable to such property (not created in contemplation of this Section 8.12).

8.13 Information Systems and Equipment. Holdings will, and will cause ---------------------------------
each of its Subsidiaries to, (i) ensure that its Information Systems and Equipment are at all times after November 1, 1999 Year 2000 Compliant, except insofar as the failure to do so could not reasonably be expected to have a Material Adverse Effect, and (ii) notify the Administrative Agent and each Lender promptly upon detecting any such failure of its Information Systems and Equipment to be Year 2000 Compliant. In addition, Holdings will, and will cause each of its Subsidiaries to, provide the Administrative Agent and any Lender with such information about Holdings' or such Subsidiaries' year 2000 computer readiness (including, without limitation, information as to contingency plans, budgets and testing results) as the Administrative Agent or any Lender shall reasonably request.

8.14 Merger. Immediately after the Acquisition, but in any event on ------
the Initial Borrowing Date, Acquisition Corp. and Resources will consummate the Merger in accordance with the Merger Documents and all applicable laws. After giving effect to the Merger, Resources shall succeed to all rights and obligations of Acquisition Corp. as were existing immediately prior to such Merger (including, without limitation, all obligations under this Agreement and the other Credit Documents to which Acquisition Corp. is a party). On the Initial Borrowing Date, the Administrative Agent shall have received evidence, in form and substance reasonably satisfactory to it, that the matters set forth in this Section 8.14 have been satisfied.

8.15 Contributions. Holdings will contribute as a common equity -------------
contribution to the capital of the Borrower upon its receipt thereof, any cash proceeds received by Holdings from any asset sale, any incurrence of Indebtedness, any Recovery Event, any sale or issuance of its equity, any cash capital contributions or any tax refunds.

8.16 Foreign Subsidiaries Security. If following a change in the relevant sections of the Code or the regulations, rules, rulings, notices or other official pronouncements issued or promulgated thereunder, the Borrower does not within 30 days after a request from the Administrative Agent or the Required Lenders deliver evidence, in form and substance reasonably satisfactory to the Administrative Agent, with respect to any Foreign Subsidiary of Holdings which has not already had all of its stock pledged pursuant to the Pledge Agreement that (i) a pledge of 66-2/3% or more of the total combined voting power of all classes of capital stock of such Foreign Subsidiary entitled to vote, (ii) the entering into by such Foreign Subsidiary of a security agreement in substantially the form of the Security Agreement and (iii) the entering into by such Foreign Subsidiary of a guaranty in substantially the form of the Subsidiaries Guaranty, in any such case could reasonably be expected to cause (I) any undistributed earnings of such Foreign Subsidiary as determined for Federal income tax purposes to be treated as a deemed dividend to such Foreign Subsidiary's United States parent for Federal income tax purposes or (II) other Federal income tax consequences to the Credit Parties having a Material Adverse Effect, then in the case of a failure to deliver the evidence described in clause (i) above, that portion of such Foreign Subsidiary's outstanding capital stock not theretofore pledged pursuant to the Pledge Agreement shall be pledged to the Collateral Agent for the benefit of the Secured Creditors pursuant to the Pledge Agreement (or another pledge agreement in substantially similar form, if needed), and in the case of a failure to deliver the evidence described in clause (ii) above, such Foreign Subsidiary (to the extent that same is a Wholly-Owned Subsidiary) shall execute and deliver the Security Agreement and Pledge Agreement (or another security agreement or pledge agreement in substantially similar form, if needed), granting the Secured Creditors a security interest in all of such Foreign Subsidiary's assets and securing the Obligations of the Borrower under the Credit Documents and under any Interest Rate Protection Agreement or Other Hedging Agreement and, in the event the Subsidiaries Guaranty shall have been executed by such Foreign Subsidiary, the obligations of such Foreign Subsidiary thereunder, and in the case of a failure to deliver the evidence described in clause (iii) above, such Foreign Subsidiary (to the extent that same is a Wholly-Owned Subsidiary) shall execute and deliver the Subsidiaries Guaranty (or another guaranty in substantially similar form, if needed), guaranteeing the Obligations of the Borrower under the Credit Documents and under any Interest Rate Protection Agreement or Other Hedging Agreement, in each case to the extent that the entering into such Security Agreement, Pledge Agreement and/or Subsidiaries Guaranty is permitted by the laws of the respective foreign jurisdiction and the contractual obligations of such Foreign Subsidiary existing at such time with all documents delivered pursuant to this Section 8.16 to be in form and substance reasonably satisfactory to the Administrative Agent.

8.17 Qualified Preferred Stock. Holdings will pay all dividends on all Qualified Preferred Stock solely through the issuance of additional shares of Qualified Preferred Stock, rather than in cash.

8.18 Holdings Subordinated Notes. Holdings will pay all interest on the Holdings Subordinated Notes solely by adding the amount of interest then due to the unpaid principal amount of the Holdings Subordinated Notes in accordance with the terms thereof, and such interest may not, in any event, be paid in cash.

SECTION 9. Negative Covenants. Each of Holdings and the Borrower hereby covenants and agrees that on and after the Effective Date and until the Total Commitment and all Letters of Credit have terminated and the Loans, Notes and Unpaid Drawings (in each case, together with interest thereon), Fees and all other Obligations (other than any indemnities described in Section 13.13 which are not then due and payable) incurred hereunder and thereunder, are paid in full:

9.01 Liens. Holdings will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets (real or personal, tangible or intangible) of Holdings or any of its Subsidiaries (including any income or profits therefrom), whether now owned or hereafter acquired, or sell any such property or assets subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets (including sales of accounts receivable with recourse to Holdings or any of its Subsidiaries); provided that the provisions of this Section 9.01 shall not prevent the creation, incurrence, assumption or existence of the following (Liens described below are herein referred to as "Permitted Liens"):

(i) Liens for taxes, assessments or governmental charges or levies not yet due or Liens for taxes, assessments or governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves have been established in accordance with generally accepted accounting principles;

(ii) Liens in respect of property or assets of Holdings or any of its Subsidiaries imposed by law, which were incurred in the ordinary course of business and do not secure Indebtedness for borrowed money, such as carriers', warehousemen's, materialmen's and mechanics' liens and other similar Liens arising in the ordinary course of business, and (x) which do not in the aggregate materially detract from the value of Holdings or such Subsidiary's property or assets or materially impair the use thereof in the operation of the business of Holdings or such Subsidiary or (y) which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or assets subject to any such Lien;

(iii) Liens in existence on the Initial Borrowing Date which are listed, and the property subject thereto described, in Schedule III, but only to the respective date, if any, set forth in such Schedule III for the removal, replacement and termination of any such Liens, plus renewals, replacements and extensions of such Liens to the extent set forth on Schedule III, provided that (x) the aggregate principal of the Indebtedness, if any, secured by such Liens does not increase from that outstanding at the time of any such renewal, replacement or extension (except for interest, premiums and fees added to principal at such time) and (y) any such renewal, replacement or extension does not encumber any additional assets or properties of Holdings or any of its Subsidiaries;

(iv) Liens created pursuant to the Security Documents;

(v) leases or subleases granted to other Persons not materially interfering with the conduct of the business of Holdings or any of its Subsidiaries;

(vi) Liens upon assets of the Borrower or any of its Subsidiaries subject to Capitalized Lease Obligations to the extent such Capitalized Lease Obligations are permitted by Section 9.04(iv), provided that (x) such Liens only serve to secure the payment of Indebtedness arising under such Capitalized Lease Obligation and (y) the Lien encumbering the asset giving rise to the Capitalized Lease Obligation does not encumber any other asset of the Borrower or any Subsidiary of the Borrower (other than proceeds and products of such assets);

(vii) Liens placed upon equipment and other fixed or capital assets acquired after the Initial Borrowing Date and used in the ordinary course of business of the Borrower or any of its Subsidiaries at the time of the acquisition thereof by the Borrower or any such Subsidiary or within 90 days thereafter to secure Indebtedness incurred to pay all or a portion of the purchase price thereof or to secure Indebtedness incurred solely for the purpose of financing the acquisition of any such equipment or other fixed or capital assets, provided that (x) the aggregate outstanding principal amount of all Indebtedness secured by Liens permitted by this clause (vii) shall not at any time exceed that amount permitted by Section 9.04(iv) and (y) in all events, the Lien encumbering the equipment or other fixed or capital assets so acquired does not encumber any other asset of the Borrower or such Subsidiary (other than proceeds and products of such equipment or other fixed or capital assets);

(viii) easements, rights-of-way, restrictions, encroachments and other similar charges or encumbrances, and minor title deficiencies, in each case not securing Indebtedness and not materially interfering with the conduct of the business of Holdings or any of its Subsidiaries;

(ix) Liens arising from precautionary UCC financing statement filings regarding operating leases;

(x) Liens arising out of the existence of judgments or awards not constituting an Event of Default under Section 10.09, provided that the aggregate amount of all cash and the fair market value of all property pledged or deposited to secure all such judgments and awards shall not exceed $200,000 in the aggregate at any time outstanding;

(xi) statutory and common law landlords' liens under leases to which Holdings or any of its Subsidiaries is a party;

(xii) Liens (other than Liens imposed under ERISA) incurred in the ordinary course of business in connection with workers compensation claims, unemployment insurance and social security benefits and Liens securing the performance of leases in the ordinary course of business, provided that the aggregate outstanding value of all cash and property encumbered by Liens permitted pursuant to this clause (xii) shall not at any time exceed (i) $175,000 in the case of Liens securing the performance of leases or (ii) $250,000 in the case of all other such Liens;

(xiii) any Lien existing on any property or asset of the Borrower or any Subsidiary of the Borrower prior to the acquisition of such property, assets or Subsidiary by the Borrower or any Subsidiary of the Borrower in accordance with the terms of this Agreement plus any renewal, replacement or extension of any such Lien, provided that (i) such Lien was not created in contemplation or anticipation of or in connection with such acquisition, (ii) such Lien (or any replacement, renewal or extension thereof) does not apply or attach to any other property or asset of the Borrower or any Subsidiary of the Borrower and (iii) the aggregate principal amount of the Indebtedness, if any, secured by such Lien does not increase from that amount outstanding at the time of any such renewal, replacement or extension (except for interest, premiums and fees added to principal at such time);

(xiv) Liens that are contractual rights of setoff; and

(xv) other Liens incidental to the conduct of the business or the ownership of the assets of the Borrower or any Subsidiary of the Borrower that (i) were not incurred in connection with borrowed money, (ii) do not encumber any Collateral and do not in the aggregate materially detract from the value of the assets subject thereto or materially impair the use thereof in the operation of such business and (iii) do not encumber cash and other property with a value in excess of $50,000 in the aggregate for all such Liens.

In connection with the granting of Liens of the type described in clauses (vi), (vii) and (xiii) of this Section 9.01 by the Borrower or any of its Subsidiaries, the Administrative Agent and the Collateral Agent shall be authorized to take any actions deemed appropriate by it in connection therewith (including, without limitation, by executing appropriate lien releases or lien subordination agreements in favor of the holder or holders of such Liens, in either case solely with respect to the item or items of equipment or other property or assets subject to such Liens).

9.02 Consolidation, Merger, Purchase or Sale of Assets, etc. Holdings
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will not, and will not permit any of its Subsidiaries to, wind up, liquidate or dissolve its affairs or enter into any transaction of merger or consolidation, or convey, sell, lease or otherwise dispose of all or any part of its property or assets, or enter into any sale-leaseback transactions, or purchase or otherwise acquire (in one or a series of related transactions) any part of the property or assets (other than purchases or other acquisitions of inventory, materials, equipment and intellectual property in the ordinary course of business) of any Person (or agree to do any of the foregoing at any future time (unless such agreement relates to an action otherwise permitted by this Section 9.02, or to the extent that the respective action is not otherwise permitted by this Section 9.02 (and the Loans will not be repaid in full, and all Commitments terminated, at the time of the consummation of the respective action), such agreement provides that the consent of the requisite percentage of Lenders hereunder is required to be obtained in connection therewith)), except that:

(i) Capital Expenditures by the Borrower and its Subsidiaries shall be permitted to the extent not in violation of Section 9.07;

(ii) each of the Borrower and its Subsidiaries may sell assets (other than the equity interests of any Subsidiary Guarantor), so long as (v) no Default or Event of

Default then exists or would result therefrom, (w) each such sale is in an arm's-length transaction and the Borrower or the respective Subsidiary receives at least fair market value (as determined in good faith by the Borrower or such Subsidiary, as the case may be), (x) the total consideration received by the Borrower or such Subsidiary is at least 80% cash and is paid at the time of the closing of such sale, (y) the Net Sale Proceeds therefrom are applied and/or reinvested as (and to the extent) required by Section 4.02(e) and (z) the aggregate amount of the Net Sale Proceeds received from all assets sold pursuant to this clause (ii) shall not exceed $350,000 in any fiscal year of the Borrower;

(iii) Investments may be made to the extent permitted by Section 9.05;

(iv) each of the Borrower and its Subsidiaries may lease (as lessee) real or personal property (so long as any such lease does not create a Capitalized Lease Obligation except to the extent permitted by Section 9.04(iv));

(v) each of the Borrower and its Subsidiaries may make sales of inventory and obsolete or worn-out equipment and materials in the ordinary course of business;

(vi) each of the Borrower and its Subsidiaries may sell or discount, in each case without recourse and in the ordinary course of business, accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof and not as part of any financing transaction;

(vii) each of the Borrower and its Subsidiaries may grant leases or subleases to other Persons not materially interfering with the conduct of the business of the Borrower or any of its Subsidiaries;

(viii) the Borrower may transfer assets to any Wholly-Owned Domestic Subsidiary of the Borrower which is a Subsidiary Guarantor and any Subsidiary of the Borrower may transfer assets to the Borrower or to any Wholly-Owned Domestic Subsidiary of the Borrower which is a Subsidiary Guarantor, so long as (x) the security interests granted to the Collateral Agent for the benefit of the Secured Creditors pursuant to the Security Documents in the assets so transferred shall remain in full force and effect and perfected (to at least the same extent as in effect immediately prior to such transfer) and (y) the aggregate book value of all assets transferred by the Borrower to all of its Subsidiaries does not exceed $100,000;

(ix) any Subsidiary of the Borrower may merge with and into, or be dissolved or liquidated into, the Borrower or any Wholly-Owned Domestic Subsidiary of the Borrower which is a Subsidiary Guarantor, so long as (i) in the case of any such merger, dissolution or liquidation involving the Borrower, the Borrower is the surviving corporation of any such merger, dissolution or liquidation, (ii) in all other cases, the Wholly-Owned Domestic Subsidiary which is a Subsidiary Guarantor is the surviving corporation of any such merger, dissolution or liquidation and (iii) in all cases, the security interests granted to the Collateral Agent for the benefit of the Secured Creditors pursuant to the Security Documents in the assets of such Subsidiary are in full force and

effect and perfected (to at least the same extent as in effect immediately prior to such merger, dissolution or liquidation); and

(x) the Acquisition and the Merger shall be permitted.

To the extent the Required Lenders waive the provisions of this Section 9.02 with respect to the sale of any Collateral, or any Collateral is sold as permitted by this Section 9.02 (other than to Holdings or a Subsidiary thereof), such Collateral shall be sold free and clear of the Liens created by the Security Documents, and the Administrative Agent and the Collateral Agent shall be authorized to take any actions deemed appropriate in order to effect the foregoing.

9.03 Dividends. Holdings will not, and will not permit any of its Subsidiaries to, authorize, declare or pay any Dividends with respect to Holdings or any of its Subsidiaries, except that:

(i) (x) any Subsidiary of the Borrower may pay cash Dividends to the Borrower or to any Wholly-Owned Subsidiary of the Borrower and (y) any non-Wholly-Owned Subsidiary of the Borrower may pay cash Dividends to its equityholders generally so long as the Borrower or its respective Subsidiary which owns the equity interest in the Subsidiary paying such Dividends receives at least its proportionate share thereof (based upon its relative holding of the equity interest in the Subsidiary paying such Dividends and taking into account the relative preferences, if any, of the various classes of equity interests of such Subsidiary);

(ii) so long as there shall exist no Default or Event of Default (in each case both before and after giving effect to the payment thereof), Holdings may repurchase outstanding shares of its common stock (or options to purchase such common stock) held by current or former officers, directors or employees (or their estates or family transferees) of Holdings or any of its Subsidiaries, provided that the aggregate amount of Dividends paid by Holdings pursuant to this clause (ii) shall not exceed the sum of (1) $200,000 in any fiscal year of Holdings so long as any Term Loans are outstanding or $600,000 in any fiscal year of Holdings after all outstanding Term Loans have been repaid in full, provided that, if after all outstanding Term Loans have been repaid in full and the amount of such Dividends permitted to be made in any fiscal year of Holdings is greater than the amount of such Dividends actually made in such fiscal year, the lesser of (x) such excess and (y) 50% of the applicable permitted Dividend amount may be carried forward and utilized to make Dividends pursuant to this clause (ii) in the immediately succeeding fiscal year of Holdings, and (2) the amount received in cash by Holdings after the Initial Borrowing Date (other than as part of the Equity Financing) from the issuance of its capital stock to officers, directors and employers of Holdings or any of its Subsidiaries to the extent that such proceeds are not required to repay outstanding Loans pursuant to Section 4.02 or reduce the Total Revolving Loan Commitment pursuant to Section 3.03(d);

(iii) Holdings may pay regularly scheduled Dividends on any class of Qualified Preferred Stock pursuant to the terms thereof solely through the issuance of additional shares of such Qualified Preferred Stock, rather than in cash;

(iv) so long as no Default or Event of Default then exists or would result therefrom, the Borrower may pay cash Dividends to Holdings so long as Holdings promptly uses such proceeds for the purposes described in clause (ii) of this Section 9.03;

(v) the Borrower may pay cash Dividends to Holdings so long as the proceeds thereof are promptly used by Holdings to pay operating expenses (including, without limitation, professional fees and expenses) and other similar corporate overhead costs and expenses, provided that the aggregate amount of cash Dividends paid pursuant to this clause (v) during any fiscal year of the Borrower shall not exceed $50,000;

(vi) the Borrower may pay cash Dividends to Holdings in the amounts and at the times of any payment by Holdings in respect of taxes, provided that (x) the amount of cash Dividends paid pursuant to this clause (vi) to enable Holdings to pay Federal and state income taxes at any time shall not exceed the amount of such Federal and state income taxes actually owing by Holdings at such time for the respective period and (y) any cash refunds received by Holdings shall promptly be returned by Holdings to the Borrower; and

(vii) the Borrower may pay a cash Dividend to Holdings on the Initial Borrowing Date with proceeds of Loans incurred on such date so long as such proceeds are used to finance the Acquisition.

9.04 Indebtedness. Holdings will not, and will not permit any of its Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness, except:

(i) Indebtedness incurred pursuant to this Agreement and the other Credit Documents;

(ii) Existing Indebtedness outstanding on the Initial Borrowing Date and listed on Schedule VI, without giving effect to any subsequent extension, renewal or refinancing thereof except to the extent set forth on Schedule VI, provided that the aggregate principal amount of the Indebtedness to be extended, renewed or refinanced does not increase from that amount outstanding at the time of any such extension, renewal or refinancing (except for interest, premiums and fees added to the principal in connection therewith);

(iii) Indebtedness under Interest Rate Protection Agreements entered into with respect to other Indebtedness permitted under this Section 9.04 so long as all of the terms and conditions of such Interest Rate Protection Agreements are reasonably satisfactory to the Administrative Agent;

(iv) Indebtedness of the Borrower and its Subsidiaries (x) constituting Capitalized Lease Obligations to the extent permitted pursuant to Sections 9.01 (vi) and

9.07 and (y) secured by Liens permitted under Section 9.01(vii), provided that the aggregate principal amount of all Indebtedness incurred pursuant to this clause (iv) does not exceed (I) $500,000 at any time outstanding plus (II) up to an additional $900,000 of such Indebtedness in the aggregate that is incurred solely to develop the Borrower's wide-area network;

(v) (x) intercompany Indebtedness among the Borrower and its Subsidiaries to the extent permitted by Section 9.05(ix) and (y) Indebtedness consisting of guaranties by the Borrower and its Wholly-Owned Subsidiaries of each others Indebtedness and other obligations permitted to be incurred under this Agreement;

(vi) Indebtedness of Holdings under the Holdings Subordinated Notes in an aggregate principal amount not to exceed $22,000,000 (as such amount may be (i) increased by the accrual of interest on the Holdings Subordinated Notes in accordance with the terms thereof and (ii) reduced by any repayments of principal thereof);

(vii) Indebtedness arising from agreements of the Borrower or a Subsidiary of the Borrower providing for indemnification, adjustment of purchase price or similar obligations, in each case incurred or assumed in connection with the acquisition of any business, assets or a Subsidiary permitted by this Agreement;

(viii) Indebtedness of a Subsidiary of the Borrower acquired after the Initial Borrowing Date in accordance with the terms of this Agreement (or Indebtedness assumed at the time of the acquisition of an asset securing such Indebtedness) or any extension, renewal, refinancing or replacement thereof for the same or lesser amount (plus interest, premiums and fees added to the principal in connection therewith), provided that (x) such Indebtedness was not incurred in connection with, or in anticipation or contemplation of, such acquisition, and (y) such Indebtedness does not constitute a revolving credit facility, a working capital facility or a letter of credit or similar facility; and

(ix) additional unsecured Indebtedness incurred by the Borrower and its Subsidiaries in an aggregate principal amount not to exceed $150,000 at any one time outstanding.

9.05 Advances, Investments and Loans. Holdings will not, and will not permit any of its Subsidiaries to, directly or indirectly, lend money or credit or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other equity interest in, or make any capital contribution to, any other Person, or purchase or own a futures contract or otherwise become liable for the purchase or sale of currency or other commodities at a future date in the nature of a futures contract, or hold any cash or Cash Equivalents (each of the foregoing an "Investment" and, collectively, "Investments"), except that the following shall be permitted:

(i) the Borrower and its Subsidiaries may acquire and hold accounts receivables owing to any of them, if created or acquired in the ordinary course of business and, except for accounts receivables which either individually or in the aggregate are not

material to the Borrower and its Subsidiaries taken as a whole, payable or dischargeable in accordance with customary trade terms of the Borrower or such Subsidiary;

(ii) the Borrower and its Subsidiaries may acquire and hold cash and Cash Equivalents, provided that during any time when Revolving Loans or Swingline Loans are outstanding, the aggregate amount of cash and Cash Equivalents permitted to be held by the Borrower and its Subsidiaries shall not exceed $500,000 for any period of ten consecutive Business Days;

(iii) the Borrower and its Subsidiaries may hold the Investments held by them on the Initial Borrowing Date and described on Schedule V, provided that any additional Investments made with respect thereto shall be permitted only if independently justified under the other provisions of this Section 9.05;

(iv) the Borrower and its Subsidiaries may acquire and own investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in good faith settlement of delinquent obligations of, and other disputes with, customers and suppliers;

(v) (x) the Borrower and its Subsidiaries may make loans and advances to their respective employees and directors so long as the aggregate principal amount thereof at any time outstanding (determined without regard to any write-downs or write-offs of such loans and advances) shall not exceed $150,000, (y) within six months following the Initial Borrowing Date, the Borrower may make an additional loan in an aggregate amount not to exceed $200,000 to a specific employee to be identified by the Borrower to the Agents and (z) the Borrower and its Subsidiaries may make advances of payroll and expenses to their employees in the ordinary course of business so long as such advances relate to an expense that when incurred will reduce Consolidated Net Income in accordance with generally accepted accounting principles;

(vi) Holdings may acquire and hold obligations of one or more officers, employees or directors of Holdings or any of its Subsidiaries in connection with such officers', employees' or directors' acquisition of shares of common stock of Holdings so long as no cash is paid by Holdings or any of its Subsidiaries to such officers, employees or directors in connection with the acquisition of any such obligations;

(vii) the Borrower may enter into Interest Rate Protection Agreements to the extent permitted by Section 9.04 (iii);

(viii) Holdings may make cash common equity contributions to, or purchase the common equity of, the Borrower and the Borrower and the Subsidiary Guarantors may make cash common equity contributions to, or purchase the common equity of, their respective Subsidiaries which are Subsidiary Guarantors;

(ix) the Borrower and the Subsidiary Guarantors may make intercompany loans and advances between or among one another (collectively, "Intercompany Loans"),

provided that any Intercompany Loan that is evidenced by a promissory note shall be in the form of an Intercompany Note that is pledged to the Collateral Agent pursuant to the Pledge Agreement;

(x) the Acquisition shall be permitted;

(xi) the Borrower and its Subsidiaries may acquire and hold non-cash consideration issued by the purchaser of assets in connection with a sale of such assets to the extent permitted by Section 9.02(ii);

(xii) the Borrower and its Subsidiaries may make Investments solely with the capital stock of Holdings and/or with Net Equity Proceeds contributed to Holdings after the Initial Borrowing Date (other than as part of the Equity Financing) which Net Equity Proceeds are, in turn, contributed to the Borrower, provided that the aggregate amount of all Investments made pursuant to this clause (xii) shall not exceed $500,000 less the aggregate amount of all Capital Expenditures made pursuant to Section 9.07(e) utilizing Net Equity Proceeds received by Holdings after the Initial Borrowing Date; and

(xiii) the Borrower and its Subsidiaries may make Investments not otherwise permitted by clauses (i) through (xii) of this Section 9.05 in an aggregate amount not to exceed $500,000.

9.06 Transactions with Affiliates. Holdings will not, and will not permit any of its Subsidiaries to, enter into any transaction or series of related transactions, whether or not in the ordinary course of business, with any Affiliate of Holdings or any of its Subsidiaries, other than on terms and conditions substantially as favorable to Holdings or such Subsidiary as would reasonably be obtained by Holdings or such Subsidiary at that time in a comparable arm's-length transaction with a Person other than an Affiliate, except that the following in any event shall be permitted:

(i) Dividends may be paid to the extent provided in Section 9.03;

(ii) loans may be made and other transactions may be entered into by Holdings and its Subsidiaries to the extent permitted by Sections 9.02, 9.04 and 9.05;

(iii) customary fees may be paid to non-officer directors of Holdings and its Subsidiaries;

(iv) the Borrower and its Subsidiaries may enter into, and may make payments and perform its obligations under employment agreements, employee benefit plans, indemnification provisions, equity incentive plans and other similar compensatory arrangements with officers and directors of Holdings and its Subsidiaries in the ordinary course of business, in each case to the extent that such transactions are otherwise permitted by this Agreement;

(v) the Borrower may pay (x) a one-time transaction fee to ECP and its Affiliates on the Initial Borrowing Date in an aggregate for all such Persons taken

together not to exceed $750,000 and (y) the reasonable out-of-pocket expenses of ECP and its Affiliates incurred in connection with the Transaction;

(vi) Holdings and its Subsidiaries may perform their obligations under the Documents to which they are a party;

(vii) transactions among Holdings and its Subsidiaries to the extent otherwise expressly permitted by this Agreement; and

(viii) Holdings may enter into the Shareholders Agreements delivered pursuant to Section 5.05 and perform its obligations thereunder so long as the performance of such obligations are otherwise permitted by the terms of this Agreement.

In no event shall any management, consulting or similar fee be paid or payable by Holdings or any of its Subsidiaries to any Affiliate except as specifically provided in clause (v) of this Section 9.06.

9.07 Capital Expenditures. (a) Holdings will not, and will not permit any of its Subsidiaries to, make any Capital Expenditures, except that (i) during the period from the Initial Borrowing Date through and including the last day of Holdings' fiscal year ending closest to May 31, 1999, the Borrower and its Subsidiaries may make Capital Expenditures so long as the aggregate amount of all such Capital Expenditures does not exceed $500,000 and (ii) during each fiscal year of Holdings set forth below (taken as one accounting period), the Borrower and its Subsidiaries may make Capital Expenditures so long as the aggregate amount of all such Capital Expenditures does not exceed in any fiscal year of Holdings set forth below the amount set forth opposite such fiscal year.

Fiscal Year Ending Closest to	Amount
May 31, 2000	$2,000,000
May 31, 2001	$1,500,000
May 31, 2002	$1,000,000
May 31, 2003	$1,000,000
May 31, 2004	$1,000,000

provided, however, in no event will more $1,000,000 in Capital Expenditures in the aggregate be made in any fiscal year set forth above (whether pursuant to this clause (a) or clause (b) below) with respect to the opening of new offices (other than new offices opened to replace offices occupied by the Borrower pursuant to the Transition Services Agreement).

(b) Notwithstanding the foregoing, in the event that the amount of Capital Expenditures permitted to be made by the Borrower and its Subsidiaries pursuant to clause (a) above in any fiscal year of the Borrower (before giving effect to any increase in such permitted expenditure amount pursuant to this clause (b)) is greater the amount of such Capital Expenditures actually made by the Borrower and its Subsidiaries during such fiscal year, the lesser of (x) such excess and (y) 50% of the applicable permitted scheduled Capital Expenditure amount as set forth in such clause (a) may be carried forward and utilized to make Capital Expenditures in

the immediately succeeding fiscal year, provided that no amounts once carried forward pursuant to this Section 9.07(b) may be carried forward to any fiscal year thereafter and such amounts may only be utilized after the Borrower and its Subsidiaries have utilized in full the permitted Capital Expenditure amount for such fiscal year as set forth in clause (a) above (without giving effect to any increase in such amount pursuant to this clause (b)).

(c) Notwithstanding the foregoing, the Borrower and its Subsidiaries may make additional Capital Expenditures (which Capital Expenditures will not be included in any determination under Section 9.07(a)) with the Net Sale Proceeds of Asset Sales to the extent such proceeds are not required to be applied to repay Term Loans or reduce the Total Revolving Loan Commitment pursuant to Section 4.02(e) or Section 3.03(d), as the case may be.

(d) Notwithstanding the foregoing, the Borrower and its Subsidiaries may make additional Capital Expenditures (which Capital Expenditures will not be included in any determination under Section 9.07(a)) with the Net Insurance Proceeds received by the Borrower or any of its Subsidiaries from any Recovery Event so long as such Capital Expenditures are to replace or restore any properties or assets in respect of which such proceeds were paid within 180 days following the date of the receipt of such insurance proceeds to the extent such insurance proceeds are not required to be applied to repay Term Loans or reduce the Total Revolving Loan Commitment pursuant to Section 4.02(g) or Section 3.03(d), as the case may be.

(e) Notwithstanding the foregoing, the Borrower and its Subsidiaries may make additional Capital Expenditures (which Capital Expenditures will not be included in any determination under Section 9.07(a)) utilizing Net Equity Proceeds received by Holdings after the Initial Borrowing Date (other than as part of the Equity Financing) which are, in turn, contributed to the Borrower, provided that the aggregate amount of all Capital
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Expenditures made pursuant to this clause (e) shall not exceed $500,000 less the aggregate amount of Investments made pursuant to Section 9.05(xii).

(f) Notwithstanding the foregoing, in the event that Deloitte & Touche LLP is permitted to require (and requires) the Borrower to vacate the office space covered by the Transition Services Agreement pursuant to Section 10.2(a) thereof, the Borrower and its Subsidiaries may make additional Capital Expenditures to open offices to replace those offices which must be vacated (which Capital Expenditures will not be included in any determination under Section 9.07(a)) utilizing Net Equity Proceeds received by Holdings after the Initial Borrowing Date (other than as part of the Equity Financing) which are, in turn, contributed to the Borrower and/or cash amounts received from Deloitte & Touche LLP pursuant to Section 10.2(a) of the Transition Services Agreement.

9.08 Consolidated Interest Coverage Ratio. Holdings will not permit
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the Consolidated Interest Coverage Ratio for any Test Period ending on the last day of a fiscal quarter of Holdings set forth below to be less than the ratio set forth opposite such fiscal quarter below:

Fiscal Quarter Ending Closest To	Ratio
May 31, 1999	3.75:1.00
August 31, 1999	3.75:1.00
November 30, 1999	3.75:1.00
February 28, 2000	3.75:1.00
May 31, 2000	5.00:1.00
August 31, 2000	5.00:1.00
November 30, 2000	5.00-1.00
February 28, 2001	5.00:1.00
May 31, 2001 and the last day of each fiscal quarter of Holdings thereafter	6.00:1.00

9.09 Maximum Leverage Ratio. Holdings will not permit the Leverage Ratio at any time during a period set forth below to be greater than the ratio set forth opposite such period below:

Period	Ratio
Initial Borrowing Date through and including the day before the last day of Holdings' fiscal quarter ending closest to August 31, 1999	3.35:1.00
The last day of Holdings' fiscal quarter ending closest to August 31, 1999 through and including the day before the last day of Holdings' fiscal quarter ending closest to November 30, 1999	3.10:1.00
The last day of Holdings' fiscal quarter ending closest to November 30, 1999 through and including the day before the last day of Holdings' fiscal quarter ending closest to February 28, 2000	2.75:1.00

Period	Ratio
The last day of Holdings' fiscal quarter ending closest to February 28, 2000 through and including the day before the last day of Holdings' fiscal quarter ending closest to May 31, 2000	2.50:1.00
The last day of Holdings' fiscal quarter ending closest to May 31, 2000 through and including the day before the last day of Holdings' fiscal quarter ending closest to August 31, 2000	2.25:1.00
The last day of Holdings' fiscal quarter ending closest to August 31, 2000 through and including the day before the last day of Holdings' fiscal quarter ending closest to November 30, 2000	2.00:1.00
The last day of Holdings' fiscal quarter ending closest to November 30, 2000 through and including the day before the last day of Holdings' fiscal quarter ending closest to May 31, 2001	1.75:1.00
The last day of Holdings' fiscal quarter ending closest to May 31, 2001 and thereafter	1.50:1.00

9.10 Minimum, Consolidated EBITDA. Holdings will not permit Consolidated EBITDA for any Test Period ending on the last day of a fiscal quarter of Holdings set forth below to be less than the amount set forth opposite such fiscal quarter below:

Fiscal Quarter Ending Closest To	Amount
May 31, 1999	$ 7,000,000
August 31, 1999	$ 7,000,000
November 30, 1999	$ 7,000,000
February 28, 2000	$ 7,000,000
May 31, 2000	$ 9,000,000

Fiscal Quarter Ending Closest To	Amount
August 31, 2000	$ 9,000,000
November 30, 2000	$ 9,000,000
February 28, 2001	$ 9,000,000
May 31, 2001	$10,500,000
August 31, 2001	$10,500,000
November 30, 2001	$10,500,000
February 28, 2002	$10,500,000
May 31, 2002	$11,250,000
August 31, 2002	$11,250,000
November 30, 2002	$11,250,000
February 28, 2003	$11,250,000
May 31, 2003 and the last day of each fiscal quarter of Holdings thereafter	$13,250,000

9.11 Limitations on Payments and Modification of Certain Indebtedness, Modifications of Certificate of Incorporation, By-Laws and Certain Other Agreements; etc. Holdings will not, and will not permit any of its Subsidiaries to, (i) make (or give any notice in respect of) any payment or prepayment on or redemption or acquisition for value of, or any prepayment or redemption as a result of any asset sale, change of control or similar event (including in each case, without limitation, by way of depositing with any Person money or securities before due for the purpose of paying when due) of any Holdings Subordinated Notes (whether in respect of principal, interest or any other amount), (ii) amend or modify, or permit the amendment or modification of, any provision of any Holdings Subordinated Note, except for any amendment or modification which would reduce the principal amount of any Holdings Subordinated Note or the rate of interest payable thereon or would extend the date of any payment required thereon, in each case so long as no consideration of any kind or character is given by Holdings or any of its Subsidiaries in connection therewith other than the issuance of equity securities of Holdings permitted to be issued under this Agreement, (iii) amend, modify or change its certificate or articles of incorporation (including, without limitation, by the filing or modification of any certificate or articles of designation) or by-laws (or the equivalent organizational documents) or any agreement entered into by it with respect to its capital stock (including any Shareholders' Agreement), or enter into any new agreement with respect to its capital stock, unless such amendment, modification, change or other action contemplated by this clause (iii) could not reasonably be expected to be adverse to the interests of the Lenders in any material respect (iv) amend or modify the Transition Services Agreement in any material respect, or (v) amend, modify or change any provision of any Tax Sharing Agreement or enter into any new tax sharing agreement tax allocation agreement or similar agreement without the prior written consent of the Administrative Agent, provided that Holdings and its Subsidiaries may

enter into a tax sharing agreement among themselves allowing for Section 9.03(vi).

9.12 Limitation on Certain Restrictions on Subsidiaries. Holdings will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Subsidiary to (a) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by the Borrower or any Subsidiary of the Borrower, or pay any Indebtedness owed to the Borrower or any Subsidiary of the Borrower, (b) make loans or advances to the Borrower or any Subsidiary of the Borrower or (c) transfer any of its properties or assets to the Borrower or any Subsidiary of the Borrower, except for such encumbrances or restrictions existing under or by reason of (i) applicable law, (ii) this Agreement and the other Credit Documents, (iii) customary provisions restricting, subletting or assignment of any lease governing a leasehold interest of the Borrower or any Subsidiary of the Borrower, (iv) customary provisions restricting assignment of any licensing agreement or other contract entered into by the Borrower or any Subsidiary of the Borrower in the ordinary course of business and (v) restrictions on the transfer of any asset subject to a Lien permitted by Section 9.01 (vi), (vii), (xiii) or (xv).

9.13 Limitation on Issuance of Capital Stock. (a) Holdings will not, and will not permit any of its Subsidiaries to, issue (i) any preferred stock other than Qualified Preferred Stock or (ii) any redeemable common stock other than common stock that is redeemable at the sole option of Holdings or such Subsidiary, as the case may be.

(b) Holdings will not permit any of its Subsidiaries to issue any capital stock (including by way of sales of treasury stock) or any options or warrants to purchase, or securities convertible into, capital stock or other equity interests, except (i) for transfers and replacements of then outstanding shares of capital stock or other equity interests, (ii) for stock splits, stock dividends and issuances which do not decrease the percentage ownership of Holdings or any of its Subsidiaries in any class of the capital stock of such Subsidiary, (iii) to qualify directors to the extent required by applicable law or (iv) for issuances by newly created or acquired Subsidiaries in accordance with the terms of this Agreement.

9.14 Business. (a) Holdings and its Subsidiaries will not engage in any business other than the business engaged in by Resources and its Subsidiaries as of the Initial Borrowing Date and reasonable extensions thereof and activities incidental thereto.

(b) Notwithstanding the foregoing, Holdings will not engage in any business and will not own any significant assets or have any material liabilities other than its ownership of the equity interest of the Borrower and having those liabilities which it is responsible for under this Agreement and the other Documents to which it is a party, provided that Holdings may engage in those activities that are incidental to (x) the maintenance of its corporate existence in compliance with applicable law, (y) legal, tax and accounting matters in connection with any of the foregoing activities and (z) the entering into, and performing its obligations under, this Agreement and the other Documents to which it is a party.

9.15 Limitation on Creation of Subsidiaries. Notwithstanding anything to the contrary contained in this Agreement, Holdings will not, and will not permit any of its Subsidiaries to, establish, create or acquire after the Initial Borrowing Date any Subsidiary, provided that the Borrower and its Wholly-Owned Subsidiaries shall be permitted to establish, create and, to the extent otherwise expressly permitted by this Agreement, acquire Wholly-Owned Subsidiaries and, to the extent permitted by Sections 9.05(xii) and (xiii), non-Wholly-Owned Subsidiaries, so long as (i) the equity interests of each such new Subsidiary is pledged pursuant to, and to the extent required by, the Pledge Agreement and the certificates (if any) representing such equity interests, together with stock or other powers duly executed in blank, are delivered to the Collateral Agent for the benefit of the Secured Creditors, (ii) each such new Wholly-Owned Domestic Subsidiary and, to the extent required by Section 8.16, each such new Wholly-Owned Foreign Subsidiary, executes a counterpart of the Subsidiaries Guaranty, the Pledge Agreement and the Security Agreement, and (iii) each such new Wholly-Owned Subsidiary, to the extent requested by the Administrative Agent or the Required Lenders, takes all actions required pursuant to Section 8.12. In addition, each new Wholly-Owned Subsidiary shall, if requested by the Administrative Agent, execute and deliver, or cause to be executed and delivered, all other relevant documentation of the type described in Section 5 as such new Wholly-Owned Subsidiary would have had to deliver if such new Wholly-Owned Subsidiary were a Credit Party on the Initial Borrowing Date.

SECTION 10. Events of Default. Upon the occurrence of any of the following specified events (each an "Event of Default"):

10.01 Payments. The Borrower shall (i) default in the payment when due of any principal of any Loan or any Note or (ii) default, and such default shall continue unremedied for three or more Business Days, in the payment when due of any interest on any Loan or Note, any Unpaid Drawing or any Fees or any other amounts owing hereunder or thereunder; or

10.02 Representations, etc. Any representation, warranty or statement made or deemed made by any Credit Party herein or in any other Credit Document or in any certificate delivered to any Agent or any Lender pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

10.03 Covenants. Any Credit Party shall (i) default in the due performance or observance by it of any term, covenant or agreement contained in Section 8.01(g)(i), 8.08, 8.14, 8.15, 8.17 or Section 9 or (ii) default in the due performance or observance by it of any other term, covenant or agreement contained in this Agreement or any other Credit Document (other than those set forth in Sections 10.01 and 10.02) and such default continue unremedied for a period of 30 days after written notice thereof to the defaulting party by the Administrative Agent or the Required Lenders; or

10.04 Default Under Other Agreements. Holdings or any of its Subsidiaries shall (x) default in any payment of any Indebtedness (other than the Obligations) beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created or (y) default in the observance or performance of any agreement or condition relating to any Indebtedness (other than the Obligations) or contained in any instrument or agreement evidencing,

securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Indebtedness to become (or be declared) due prior to its stated maturity, provided that it shall not be a Default or an Event of Default under this Section 10.04 unless the aggregate principal amount of all such Indebtedness is at least $200,000; or

10.05 Bankruptcy, etc. Holdings or any of its Subsidiaries shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against Holdings or any of its Subsidiaries, and the petition is not controverted within 15 days, or is not dismissed within 60 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of Holdings or any of its Subsidiaries, or Holdings or any of its Subsidiaries commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to Holdings or any of its Subsidiaries, or there is commenced against Holdings or any of its Subsidiaries any such proceeding which remains undismissed for a period of 60 days, or Holdings or any of its Subsidiaries is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or Holdings or any of its Subsidiaries suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or Holdings or any of its Subsidiaries makes a general assignment for the benefit of creditors; or any corporate action is taken by Holdings or any of its Subsidiaries for the purpose of effecting any of the foregoing; or

10.06 ERISA. (a) Any Plan shall fail to satisfy the minimum funding standard required for any plan year or part thereof under Section 412 of the Code or Section 302 of ERISA or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Code or Section 303 or 304 of ERISA, a Reportable Event shall have occurred, a contributing sponsor (as defined in Section 4001(a)(13) of ERISA) of a Plan subject to Title IV of ERISA shall be subject to the advance reporting requirement of PBGC Regulation Section 4043.61 (without regard to subparagraph (b)(1) thereof) and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 shall be reasonably expected to occur with respect to such Plan within the following 30 days, any Plan which is subject to Title IV of ERISA shall have had or is reasonably likely to have a trustee appointed to administer such Plan, any Plan which is subject to Title IV of ERISA is, shall have been or is reasonably likely to be terminated or to be the subject of termination proceedings under ERISA, any Plan shall have an Unfunded Current Liability, a contribution required to be made with respect to a Plan or a Foreign Pension Plan has not been timely made, Holdings or any Subsidiary of Holdings or any ERISA Affiliate has incurred or is reasonably likely to incur any liability to or on account of a Plan under Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), 4971 or 4975 of the Code or on account of a group health plan (as defined in Section 607(l) of ERISA or Section 4980B(g)(2) of the Code) under Section 4980B of the Code, or Holdings or any Subsidiary of Holdings has incurred or is

reasonably likely to incur liabilities pursuant to one or more employee welfare benefit plans (as defined in Section 3(l) of ERISA) that provide benefits to retired employees or other former employees (other than as required by Section 601 of ERISA) or Plans or Foreign Pension Plans, a "default" within the meaning of Section 4219(c)(5) of ERISA shall occur with respect to any Plan, any applicable law, rule or regulation is adopted, changed or interpreted, or the interpretation or administration thereof is changed, in each case after the date hereof, by any governmental authority or agency or by any court (a "Change of Law"), or, as a result of a Change in Law, an event occurs following a Change in Law, with respect to or otherwise affecting any Plan, (b) there shall result from any such event or events the imposition of a lien, the granting of a security interest, or a liability or a material risk of incurring a liability; and (c) such lien, security interest or liability, individually and/or in the aggregate, has had, or could reasonably be expected to have, a Material Adverse Effect; or

10.07 Security Documents. Except in each case to the extent resulting from failure of the Collateral Agent to retain possession of the Pledge Agreement Collateral constituting certificated securities or notes, any of the Security Documents shall cease to be in full force and effect, or shall cease to give the Collateral Agent for the benefit of the Secured Creditors the Liens, rights, powers and privileges purported to be created thereby (including, without limitation, a perfected security interest in, and Lien on, all of the Collateral, in favor of the Collateral Agent, superior to and prior to the rights of all third Persons (except as permitted by Section 9.01), and subject to no other Liens (except as permitted by Section 9.01); or

10.08 Guaranties. At any time after the execution and delivery thereof, any Guaranty or any provision thereof shall cease to be in full force or effect as to any Guarantor, or any Guarantor or any Person acting by or on behalf of such Guarantor shall deny or disaffirm such Guarantor's obligations under its Guaranty; or

10.09 Judgments. One or more judgments or decrees shall be entered against Holdings or any Subsidiary of Holdings involving in the aggregate for Holdings and its Subsidiaries a liability (not paid or fully covered by a reputable and solvent insurance company) and such judgments and decrees shall not be vacated, discharged or stayed or bonded pending appeal for any period of 60 consecutive days, and the aggregate amount of all such judgments equals or exceeds $200,000; or

10.10 Change of Control. A Change of Control shall occur; or

10.11 Additional Financing. Holdings shall not have received and contributed to the Borrower by (i) April 15, 1999 (x) at least an additional $526,240 of cash proceeds received after the Initial Borrowing Date as part of the Equity Financing and (y) at least an additional $1,157,728 of cash proceeds received after the Initial Borrowing Date from the issuance of a like principal amount of additional Holdings Subordinated Notes and (ii) July 1, 1999 (x) an additional $619,990 of cash proceeds received after the Initial Borrowing Date as part of the Equity Financing (less any amounts received as contemplated by preceding clause (i)(x)) and (y) at least an additional $1,363,978 of cash proceeds received after the Initial Borrowing Date from the issuance of a like principal amount of additional Holdings Subordinated Notes (less any amounts received as contemplated by preceding clause (i)(y)); or

10.12 Transition Services Agreement. Except as a result of a termination pursuant to Section 10.2(a) of the Transition Services Agreement, the Transition Services Agreement or any material provision thereof (other than the provisions thereof relating to continuing professional education) shall cease to be in full force and effect other than as a result of the passage of time with respect to certain of the services provided thereunder in accordance with the terms thereof; then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Administrative Agent, upon the written request of the Required Lenders, shall by written notice to the Borrower, take any or all of the following actions, without prejudice to the rights of any Agent, any Lender or the holder of any Note to enforce its claims against any Credit Party (provided that, if an Event of Default specified in Section 10.05 shall occur with respect to the Borrower, the result which would occur upon the giving of written notice by the Administrative Agent as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the Total Commitment terminated, whereupon all Commitments of each Lender shall forthwith terminate immediately and any Commitment Commission shall forthwith become due and payable without any other notice of any kind; (ii) declare the principal of and any accrued interest in respect of all Loans and the Notes and all Obligations owing hereunder and thereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Credit Party; (iii) terminate all Letter of Credit which may be terminated in accordance with its terms; (iv) direct the Borrower to pay (and the Borrower agrees that upon receipt of such notice, or upon the occurrence of an Event of Default specified in Section 10.05 with respect to the Borrower, it will pay) to the Collateral Agent at the Payment Office such additional amount of cash or Cash Equivalents, to be held as security by the Collateral Agent, as is equal to the aggregate Stated Amount of all Letters of Credit issued for the account of the Borrower and then outstanding; (v) enforce, as Collateral Agent, all of the Liens and security interests created pursuant to the Security Documents; and (vi) apply any cash collateral held by the Administrative Agent pursuant to Section 4.02 to the repayment of the Obligations.

SECTION 11. Definitions and Accounting Terms.

11.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acquired Entity or Business" shall have the meaning provided in the definition of "Consolidated Net Income."

"Acquisition" shall mean the acquisition by Holdings of all of the outstanding membership interests in Resources in accordance with the terms of the Acquisition Agreement.

"Acquisition Agreement" shall mean the Purchase Agreement, dated as of April 1, 1999, among Deloitte & Touche LLP, Deloitte & Touche Acquisition Company LLC, Resources and Holdings.

"Acquisition Corp." shall have the meaning provided in the first paragraph of this Agreement.

"Acquisition Documents" shall mean the Acquisition Agreement and all other agreements and documents relating to the Acquisition.

"Additional Security Documents" shall have the meaning provided in Section 8.12.

"Administrative Agent" shall mean BTCo, in its capacity as Administrative Agent for the Lenders hereunder, and shall include any successor to the Administrative Agent appointed pursuant to Section 12.09.

"Adjusted Consolidated Net Income" shall mean, for any period, Consolidated Net Income for such period plus, without duplication, the sum of the amount of all net non-cash charges (including, without limitation, depreciation, amortization, deferred income tax expense and non-cash interest expense) and net non-cash losses which were included in arriving at Consolidated Net Income for such period, less the amount of all net non-cash gains which were included in arriving at Consolidated Net Income for such period.

"Adjusted Consolidated Working Capital" shall mean, at any time, Consolidated Current Assets (but excluding therefrom all cash and Cash Equivalents) less Consolidated Current Liabilities at such time.

"Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power (i) to vote 10% or more of the securities having ordinary voting power for the election of directors of such corporation or (ii) to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise; provided that no Agent nor any
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Lender (nor any Affiliate thereof) shall be considered an Affiliate of Holdings or any Subsidiary thereof.

"Agent" shall mean and include the Administrative Agent, the Syndication Agent and the Documentation Agent.

"Agreement" shall mean this Credit Agreement, as modified, supplemented, amended, restated (including any amendment and restatement hereof), extended, renewed, refinanced or replaced from time to time.

"Applicable Base Rate Margin" shall mean a percentage per annum equal to, in the case of Revolving Loans, Swingline Loans and Term Loans that are maintained as Base Rate Loans, 2.00%.

"Applicable Eurodollar Rate Margin" shall mean a percentage per annum equal to, in the case of Revolving Loans and Term Loans that are maintained as Eurodollar Loans, 3.00%.

"Asset Sale" shall mean any sale, similar transfer or other similar disposition by Holdings or any of its Subsidiaries to any Person (including by way of redemption by such Person) other than to Holdings or a Wholly-Owned Subsidiary of Holdings of any asset (including, without limitation, any capital stock or other securities of, or equity interests in, another Person) other than sales of assets pursuant to Sections 9.02 (v), (vi), (vii) and (viii).

"Assignment and Assumption Agreement" shall mean an Assignment and Assumption Agreement substantially in the form of Exhibit K (appropriately completed).

"Bankruptcy Code" shall have the meaning provided in Section 10.05.

"Base Rate" shall mean, at any time, the higher of (i) the Prime Lending Rate and (ii) 1/2 of 1% in excess of the Federal Funds Rate.

"Base Rate Loan: shall mean (i) each Swingline Loan and (ii) each other Loan designated or deemed designated as such by the Borrower at the time of the incurrence thereof or conversion thereto.

"Borrower" shall mean (i) prior to the Merger, Acquisition Corp., and (ii) from and after the consummation of the Merger, Resources.

"Borrowing" shall mean the borrowing of one Type of Loan of a single Tranche from all the Lenders having Commitments of the respective Tranche (or from the Swingline Lender in the case of Swingline Loans) on a given date (or resulting from a conversion or conversions on such date) having in the case of Eurodollar Loans the same Interest Period, provided that Base Rate Loans
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incurred pursuant to Section 1.10(b) shall be considered part of the related Borrowing of Eurodollar Loans.

"BTCo" shall mean Bankers Trust Company, in its individual capacity, and any successor corporation thereto by merger, consolidation or otherwise.

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day except Saturday, Sunday and any day which shall be in New York, New York a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a Business Day described in clause (i) above and which is also a day for trading by and between banks in the New York interbank Eurodollar market.

"Capital Expenditures" shall mean, with respect to any Person, all expenditures by such Person which should be capitalized in accordance with generally accepted accounting principles and, without duplication, the amount of Capitalized Lease Obligations incurred by such Person.

"Capitalized Lease Obligations" shall mean, with respect to any Person, all rental obligations of such Person which, under generally accepted accounting principles, are or will be

required to be capitalized on the books of such Person, in each case taken at the amount thereof accounted for as indebtedness in accordance with such principles.

"Cash Equivalents" shall mean, as to any Person, (i) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the
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United States is pledged in support thereof) having maturities of not more than one year from the date of acquisition, (ii) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor's Ratings Services or Moody's Investors Service, Inc., (iii) Dollar denominated time deposits and certificates of deposit of any commercial bank having, or which is the principal banking subsidiary of a bank holding company having, a long-term unsecured debt rating of at least "A" or the equivalent thereof from Standard & Poor's Ratings Services or "A2" or the equivalent thereof from Moody's Investors Service, Inc. with maturities of not more than one year from the date of acquisition by such Person, (iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (iii) above, (v) commercial paper issued by any Person incorporated in the United States rated at least A-I or the equivalent thereof by Standard & Poor's Ratings Services or at least P-1 or the equivalent thereof by Moody's Investors Service, Inc. and in each case maturing not more than one year after the date of acquisition by such Person and (vi) investments in money market funds substantially all of whose assets are comprised of securities of the types described in clauses (i) through (v) above.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as the same may be amended from time to time, 42 U.S. C.(S) 9601 et seq.
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"Change of Control" shall mean (i) (A) at any time prior to the consummation of a Qualified IPO, either of the following shall occur: (x) the nominees designated by ECP and its Affiliates to serve as members of the Board of Directors of Holdings shall cease to constitute at least one-half of the total members of the Board of Directors of Holdings (it being understood that no Change of Control shall occur under this clause (i)(A)(x) if any such nominee ceases to serve as a member of the Board of Directors of Holdings for any reason so long as such nominee is replaced within 15 days thereafter by another nominee designated by ECP and its Affiliates), or (y) ECP and its Affiliates shall cease to own (I) on a fully diluted basis in the aggregate at least 30% of the economic interest in Holdings' capital stock and (II) at least 30% of the aggregate principal amount of the outstanding Holdings Subordinated Notes, and (B) at any time from and after the consummation of a Qualified IPO, either of the following shall occur: (x) ECP and its Affiliates shall cease to own (I) a fully diluted basis in the aggregate at least 50% of the economic and voting interest in Holdings' capital stock that they own on the Initial Borrowing Date and (II) at least 50% of the aggregate principal amount of the outstanding Holdings Subordinated Notes that they own on the Initial Borrowing Date or (y) a majority of the members of the Board of Directors of Holdings are not Continuing Directors, (ii) Holdings shall cease to own 100% of the economic and voting interest in the Borrower's equity interests or (iii) any Person or "group" (within the meaning of Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, as in

effect on the Effective Date) either (x) shall have acquired either a greater beneficial ownership interest or voting interest (in either case, on a fully diluted basis) in Holdings' capital stock than that owned by ECP and its Affiliates or (y) shall have the ability to designate a greater number of the directors of Holdings than that designated by ECP, its Affiliates and the other shareholders of Holdings which are not management shareholders.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to the Code are to the Code, as in effect at the date of this Agreement and any subsequent, provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"Collateral" shall mean all property (whether real or personal) with respect to which any security interests have been granted (or purported to be granted) pursuant to any Security Document, including, without limitation, all Pledge Agreement Collateral, all Security Agreement Collateral and all cash and Cash Equivalents delivered as collateral pursuant to Section 4.02 or 10.

"Collateral Agent" shall mean the Administrative Agent acting as collateral agent for the Secured Creditors pursuant to the Security Documents.

"Collective Bargaining Agreements" shall have the meaning provided in Section 5.05.

"Commitment" shall mean any of the commitments of any Lender, i.e., ----
whether the Term Loan Commitment or the Revolving Loan Commitment.

"Commitment Commission" shall have the meaning provided in Section 3.01(a).

"Consolidated Current Assets" shall mean, at any time, the consolidated current assets of Holdings and its Subsidiaries at such time.

"Consolidated Current Liabilities" shall mean, at any time, the consolidated current liabilities of Holdings and its Subsidiaries at such time, but excluding the current portion of any Indebtedness under this Agreement and the current portion of any other long-term Indebtedness which would otherwise be included therein.

"Consolidated EBIT" shall mean, for any period, Consolidated Net Income for such period before consolidated interest expense of Holdings and its Subsidiaries and provision for taxes for such period and without giving effect to (x) any extraordinary gains or losses and (y) any gains or losses from sales of assets other from sales of inventory sold in the ordinary course of business.

"Consolidated EBITDA" shall mean, for any period, Consolidated EBIT for such period, adjusted by adding thereto the amount of all amortization and depreciation that were deducted in arriving at Consolidated EBIT for such period determined without giving effect to any expenses incurred in connection with the Transaction in an aggregate amount not to exceed $2,400,000.

"Consolidated Indebtedness" shall mean, at any time, the principal amount of all Indebtedness of Holdings and its Subsidiaries at such time determined on a consolidated basis to the extent that such Indebtedness should be accounted for as debt on the liability side of a balance sheet in accordance with generally accepted accounting principles plus, without duplication, (i) the aggregate amount of all unreimbursed drawings or payments (and which remain unpaid for two or more days) under all letters of credit (including any Letters of Credit), bankers acceptances and similar obligations issued for the account of Holdings and its Subsidiaries and (ii) the amount of all Contingent Obligations of Holdings and its Subsidiaries determined on a consolidated basis in respect of Indebtedness of other Persons of the type described above in this definition; it being understood, however, that up to $1,984,000 of Revolving Loans incurred on the Initial Borrowing Date shall be excluded from Consolidated Indebtedness only through April 15, 1999.

"Consolidated Interest Coverage Ratio" shall mean, for any period, the ratio of Consolidated EBITDA to Consolidated Interest Expense for such period.

"Consolidated Interest Expense" shall mean, for any period, the total consolidated interest expense of Holdings and its Subsidiaries for such period (calculated without regard to any limitations on the payment thereof) plus, without duplication, that portion of Capitalized Lease Obligations of Holdings and its Subsidiaries representing the interest factor for such period, provided
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that the amortization of deferred financing, legal and accounting costs with respect to the Transaction shall be excluded from Consolidated Interest Expense to the extent same would otherwise have been included therein; and provided
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further, that for purposes of determining compliance with Section 9.08 for any
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period, Consolidated Interest Expense shall be determined on a pro forma basis
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to give effect both to any interest expense of any Acquired Entity or Business acquired pursuant to an Investment made pursuant to Section 9.05(xii) or (xiii) and to any interest expense associated with any incremental Indebtedness (including Revolving Loans and Swingline Loans) incurred to finance such Investment, in each case for the portion of such period prior to such acquisition.

"Consolidated Net Income" shall mean, for any period, the net income (or loss) of Holdings and its Subsidiaries for such period, determined on a consolidated basis (after any deduction for minority interests), provided that
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(i) in determining Consolidated Net Income, the net income of any other Person which is not a Subsidiary of Holdings or is accounted for by Holdings by the equity method of accounting shall be included only to the extent of the payment of cash dividends or distributions by such other Person to Holdings or a Subsidiary thereof during such period, (ii) the net income of any Subsidiary of the Borrower shall be excluded to the extent that the declaration or payment of cash dividends or similar distributions by that Subsidiary of that net income is not at the date of determination permitted by operation of its charter or any agreement, instrument or law applicable to such Subsidiary and (iii) the net income (or loss) of any other Person acquired by such specified Person or a Subsidiary of such Person in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded; and provided further,
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that for purposes of calculating the Consolidated Interest Coverage Ratio under Section 9.08 and the Leverage Ratio under Section 9.09, there shall be included (to the extent not already included) in determining Consolidated Net Income for any period the net income (or loss) of any Person, business, property or asset acquired during such period pursuant to an Investment under Section 9.05(xii) or (xiii) and not subsequently sold or otherwise disposed of by the

Borrower or one of its Subsidiaries during such period (each such Person, business, property or asset acquired and not subsequently disposed of during such period, an "Acquired Entity or Business"), in each case based on the actual net income (or loss) of such Acquired Entity or Business for the entire period (including the portion thereof occurring prior to such acquisition) (but after any deductions for minority interests).

"Contingent Obligation" shall mean, as to any Person, any obligation of such Person as a result of such Person being a general partner of the other Person, unless the underlying obligation is expressly made non-recourse as to such general partner, and any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof, provided, however, that the term Contingent Obligation shall
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not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Continuing Director" shall mean, as of any date of determination, any member of the Board of Directors of Holdings who (i) was a member of such Board of Directors on the Initial Borrowing Date or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"Credit Documents" shall mean this Agreement and, after the execution and delivery thereof pursuant to the terms of this Agreement, each Note, the Subsidiaries Guaranty and each Security Document.

"Credit Event" shall mean the making of any Loan or the issuance of any Letter of Credit.

"Credit Party" shall mean Holdings, the Borrower and each Subsidiary Guarantor.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" shall mean any Lender with respect to which a Lender Default is in effect.

"Dividend" shall mean, with respect to any Person, that such Person has declared or paid a dividend or returned any equity capital to its stockholders, partners or members or authorized or made any other distribution, payment or delivery of property (other than common stock or other common equity interests of such Person) or cash to its stockholders, partners or members as such, or redeemed, retired, purchased or otherwise acquired, directly or indirectly, for a consideration any shares of any class of its capital stock or any other equity interests outstanding on or after the Effective Date (or any options or warrants issued by such Person with respect to its capital stock or other equity interests), or set aside any funds for any of the foregoing purposes, or shall have permitted any of its Subsidiaries to purchase or otherwise acquire for a consideration any shares of any class of the capital stock or any other equity interests of such Person outstanding on or after the Effective Date (or any options or warrants issued by such Person with respect to its capital stock or other equity interests). Without limiting the foregoing, "Dividends" with respect to any Person shall also include all payments made or required to be made by such Person with respect to any stock appreciation rights, plans, equity incentive or achievement plans or any similar plans or setting aside of any funds for the foregoing purposes.

"Documentation Agent" shall mean U.S. Bank National Association, in its capacity as a Documentation Agent for the Lenders hereunder.

"Documents" shall mean the Credit Documents, the Equity Financing Documents, the Acquisition Documents, the Holdings Subordinated Notes and the Merger Documents.

"Dollars" and the sign "$" shall each mean freely transferable lawful money of the United States.

"Domestic Subsidiary" shall mean each Subsidiary of Holdings incorporated or organized in the United States or any State thereof

"Drawing" shall have the meaning provided in Section 2.05(b).

"ECP" shall mean Evercore Capital Partners L.P.

"Effective Date" shall have the meaning provided in Section 13.10.

"Eligible Transferee" shall mean and include a commercial bank, financial institution, any fund that invests in loans or any other "accredited investor" (as defined in Regulation D of the Securities Act), but in any event excluding Holdings its Subsidiaries.

"Employment Agreements" shall have the meaning provided in Section 5.05.

"Environmental Claims" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, liens, notices of noncompliance or violation, investigations or proceedings relating in any way to any Environmental Law or any

permit issued, or any approval given, under any such Environmental Law (hereafter, "Claims"), including, without limitation, (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief in connection with alleged injury or threat of injury to health, safety or the environment due to the presence of Hazardous Materials.

"Environmental Law" shall mean any Federal, state, foreign or local statute, law, rule, regulation, ordinance, code, guideline, written policy and rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, employee health and safety or Hazardous Materials, including, without limitation, CERCLA; RCRA; the Federal Water Pollution Control Act, 33 U.S.C. (S) 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. (S) 2601 et seq.; the Clean Air Act, 42 U.S.C. (S) 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. (S) 3803 et seq.; the Oil Pollution Act of 1990, 33 U.S.C. (S) 2701 et seq.; the Emergency Planning and the Community Right-to-Know Act of 1986, 42 U.S.C. (S) 11001 et seq.; the Hazardous Material Transportation Act, 49 U.S.C. (S) 1801 et seq. and the Occupational Safety and Health Act, 29 U.S.C. (S) 651 et seq.; and any state and local or foreign counterparts or equivalents, in each case as amended from time to time.

"Equity Financing" shall mean the issuance by Holdings of shares of its common stock on the Initial Borrowing Date and within 90 days thereafter to ECP and/or its Affiliates, management of Holdings and certain other investors identified to the Agents in an aggregate amount of $10,000,000.

"Equity Financing Documents" shall mean each of the documents and agreements entered into in connection with the consummation of the Equity Financing.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA, as in effect at the date of this Agreement and any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" shall mean each person (as defined in Section 3(9) of ERISA) which together with Holdings or a Subsidiary of Holdings would be deemed to be a "single employee" (i) within the meaning of Section 414(b), (c), (m) or (o) of the Code or (ii) as a result of Holdings or a Subsidiary of Holdings being or having been a general partner of such person.

"Eurodollar Loan" shall mean each Loan (other than any Swingline Loan) designated as such by the Borrower at the time of the incurrence thereof or conversion thereto.

"Eurodollar Rate" shall mean (a) the offered quotation to first-class banks in the New York interbank Eurodollar market by BTCo for Dollar deposits of amounts in immediately available funds comparable to the outstanding principal amount of the Eurodollar Loan of BTCo

with maturities comparable to the Interest Period applicable to such Eurodollar Loan commencing two Business Days thereafter as of 11:00 A.M. (New York time) on the date which is two Business Days prior to the commencement of such Interest Period, divided (and rounded upward to the nearest 1/16 of 1%) by (b) a percentage equal to 100% minus the then stated maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves required by applicable law) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency funding or liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D).

"Event of Default" shall have the meaning provided in Section 10.

"Excess Cash Flow" shall mean, for any period, the remainder of (a) the sum of (i) Adjusted Consolidated Net Income for such period and (ii) the decrease, if any, in Adjusted Consolidated Working Capital from the first day to the last day of such period, minus (b) the sum of (i) the amount of all Capital Expenditures made by Holdings and its Subsidiaries during such period (other than Capital Expenditures to the extent financed with equity proceeds, Asset Sale proceeds, insurance proceeds or Indebtedness), (ii) the aggregate amount of permanent principal payments of Indebtedness of Holdings and its Subsidiaries during such period (other than (A) repayments to the extent made with Asset Sale proceeds, equity proceeds, insurance proceeds or Indebtedness and (B) repayments of Loans, provided that repayments of Loans shall be deducted in determining
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Excess Cash Flow if such repayments were (x) required as a result of a Scheduled Repayment under Section 4.02(b) or (y) made as a voluntary prepayment with internally generated funds (but in the case of a voluntary prepayment of Revolving Loans or Swingline Loans, only to the extent accompanied by a voluntary reduction to the Total Revolving Loan Commitment)) and (iii) the increase, if any, in Adjusted Consolidated Working Capital from the first day to the last day of such period.

"Excess Cash Payment Date" shall mean the date occurring 91 days after the last day of each fiscal year of Holdings (beginning with its fiscal year ending closest to May 31, 2000).

"Excess Cash Payment Period" shall mean, with respect to the repayment required on each Excess Cash Payment Date, the immediately preceding fiscal year of Holdings.

"Existing Indebtedness" shall have the meaning provided in Section 7.22.

"Existing Indebtedness Agreements" shall have the meaning provided in Section 5.05.

"Expiration Date" shall mean, with respect to each Letter of Credit, the final stated expiration date thereof or such earlier date on which such Letter of Credit was canceled and returned to the Issuing Lender.

"Facing Fee" shall have the meaning provided in Section 3.01(c).

"Federal Funds Rate" shall mean, for any period, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as

published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by the Administrative Agent.

"Fees" shall mean all amounts payable pursuant to or referred to in Section 3.01.

"Foreign Pension Plan" shall mean any plan, fund (including, without limitation, any superannuation fund) or other similar program established or maintained outside the United States by Holdings or any one or more of its Subsidiaries primarily for the benefit of employees of Holdings or such Subsidiaries residing outside the United States, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

"Foreign Subsidiary" shall mean each Subsidiary of Holdings other than a Domestic Subsidiary.

"Guaranteed Creditors" shall man and include each Agent, the Collateral Agent, the Issuing Lender, the Lenders and each party (other than any Credit Party) party to an Interest Rate Protection Agreement or Other Hedging Agreement to the extent such party constitutes a Secured Creditor under the Security Documents.

"Guaranteed Obligations" shall mean (i) the full and prompt payment when due (whether at the stated maturity by acceleration or otherwise) of the principal and interest on each Note issued by, and Loans made to, the Borrower under this Agreement and all reimbursement obligations and Unpaid Drawings with respect to Letters of Credit, together with all the other obligations (including obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due) and liabilities (including, without limitation, indemnities, fees and interest thereon) of the Borrower to the Lenders, each Agent, the Issuing Lender and the Collateral Agent now existing or hereafter incurred under, arising out of or in connection with this Agreement and each other Credit Document to which the Borrower is a party and the due performance and compliance by the Borrower with all the terms, conditions and agreements contained in this Agreement and all such other Credit Documents and (ii) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations (including obligations which, but for the automatic stay under Section 362(a) of the Bankruptcy Code, would become due) of the Borrower owing under any Interest Rate Protection Agreement or Other Hedging Agreement entered into by the Borrower with any Lender or any affiliate thereof (even if such Lender subsequently ceases to be a Lender under this Agreement for any reason) so long as such Lender or affiliate participates in such Interest Rate Protection Agreement or Other Hedging Agreement, and their subsequent assigns, if any, whether now in existence or hereafter arising, and the due performance and compliance with all terms, conditions and agreements contained herein.

"Guarantor" shall mean and include Holdings and each Subsidiary Guarantor.

"Guaranty" shall mean and include the Holdings Guaranty and the Subsidiaries Guaranty.

"Hazardous Materials" shall mean (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is friable, urea formaldehyde foam insulation, transformers or other equipment that contains dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous waste," "hazardous materials," "extremely hazardous substances," "restricted hazardous waste," "toxic substances," "toxic pollutants," "contaminants," or "pollutants," or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, the Release of which is prohibited, limited or regulated by any governmental authority.

"Holdings" shall have the meaning provided in the first paragraph of this Agreement.

"Holdings Guaranty" shall mean the guaranty of Holdings pursuant to Section 14.

"Holdings Subordinated Notes" shall mean the 12% Junior Subordinated Promissory Notes of Holdings due 2004 in the form delivered pursuant to Section 5.06(c).

"Indebtedness" shall mean, as to any Person, without duplication, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) the maximum amount available to be drawn under all letters of credit issued for the account of such Person and all unpaid drawings in respect of such letters of credit, (iii) all Indebtedness of the types described in clause (i), (ii), (iv), (v), (vi) or (vii) of this definition secured by any Lien on any property owned by such Person, whether or not such Indebtedness has been assumed by such Person (provided that, if the Person has
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not assumed or otherwise become liable in respect of such Indebtedness, such Indebtedness shall be deemed to be in an amount equal to the fair market value of the property to which such Lien relates as determined in good faith by such Person), (iv) the aggregate amount required to be capitalized under leases under which such Person is the lessee, (v) all obligations of such person to pay a specified purchase price for goods or services, whether or not delivered or accepted, i.e., take-or-pay and similar obligations, (vi) all Contingent
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Obligations of such Person, and (vii) all net obligations under any Interest Rate Protection Agreement, any Other Hedging Agreement or under any similar type of agreement. Notwithstanding the foregoing, Indebtedness shall not include trade payables and accrued expenses incurred by any Person in accordance with customary practices and in the ordinary course of business of such Person.

"Information System and Equipment" of any Person shall mean all computer hardware, firmware and software, as well as other information processing systems, or any equipment containing embedded microchips, whether directly owned, licensed, leased, operated or otherwise controlled by such Person, including through third-party service providers, and which, in whole or in part, are used, operated, relied upon, or integral to, such Person's conduct of its business.

"Initial Borrowing Date" shall mean the date occurring on or after the Effective Date on which the initial Borrowing of Term Loans occurs.

"Intercompany Loan" shall have the meaning provided in Section 9.05(ix).

"Intercompany Note" shall mean a promissory note, in the form of Exhibit L, evidencing Intercompany Loans.

"Interest Determination Date" shall mean, with respect to any Eurodollar Loan, the second Business Day prior to the commencement of any Interest Period relating to such Eurodollar Loan.

"Interest Period" shall have the meaning provided in Section 1.09.

"Interest Rate Protection Agreement" shall mean any interest rate swap agreement, interest rate cap agreement, interest collar agreement, interest rate hedging agreement or other similar agreement or arrangement.

"Investments" shall have the meaning provided in Section 9.05.

"Issuing Lender" shall mean BTCo.

"L/C Supportable Obligations" shall mean obligations of the Borrower or any of its Subsidiaries incurred in the ordinary course of business and such other obligations of the Borrower or any of its Subsidiaries as are reasonably acceptable to the Issuing Lender and the Administrative Agent, in either case to the extent such obligations are otherwise permitted to exist pursuant to the terms of this Agreement.

"Leaseholds" of any Person shall mean all the right, title and interest of such Person as lessee or licensee in, to and under leases or licenses of land, improvements and/or fixtures.

"Lender" shall mean each financial institution listed on Schedule I, as well as any Person that becomes a "Lender" hereunder pursuant to Section 1. 13 or 13.04(b).

"Lender Default" shall mean (i) the refusal (which has not been retracted) or the failure of a Lender to make available its portion of any Borrowing (including any Mandatory Borrowing) or to fund its portion of any unreimbursed payment under Section 2.04(c) or (ii) a Lender having notified in writing the Borrower and/or the Administrative Agent that such Lender does not intend to comply with its obligations under Section 1.01(a), 1.01(b), 1.01(d) or 2.

"Letter of Credit" shall have the meaning provided in Section 2.01(a).

"Letter of Credit Fee" shall have the meaning provided in Section 3.01(b).

"Letter of Credit Outstandings" shall mean, at any time, the sum of (i) the Stated Amount of all outstanding Letters of Credit and (ii) the aggregate amount of all Unpaid Drawings in respect of all Letters of Credit.

"Letter of Credit Request" shall have the meaning provided in Section 2.03(a).

"Leverage Ratio" shall mean, at any time, the ratio of Consolidated Indebtedness at such time to Consolidated EBITDA for the Test Period then most recently ended.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the UCC or any other similar recording or notice statute, and any lease having substantially the same effect as any of the foregoing).

"Loan" shall mean each Term Loan, each Revolving Loan and each Swingline Loan.

"Management Agreements" shall have the meaning provided in Section 5.05.

"Mandatory Borrowing" shall have the meaning provided in Section 1.01(d).

"Margin Stock" shall have the meaning provided in Regulation U.

"Material Adverse Effect" shall mean (i) a material adverse effect on the business, operations, properties, assets, liabilities or condition (financial or otherwise) of Holdings and its Subsidiaries taken as a whole or (ii) a material adverse effect (x) on the rights or remedies of the Lenders or the Administrative Agent hereunder or under any other Credit Document, (y) on the ability of any Credit Party to perform its obligations to the Lenders or the Administrative Agent hereunder or under any other Credit Document or (z) with respect to the Credit Events to occur on the Initial Borrowing Date, on the Transaction.

"Maturity Date" shall mean, with respect to any Tranche of Loans, the Term Loan Maturity Date, the Revolving Loan Maturity Date or the Swingline Expiry Date, as the case may be.

"Maximum Swingline Amount" shall mean $500,000.

"Merger" shall mean the merger of Acquisition Corp. with and into Resources, with Resources being the surviving corporation of such merger.

"Merger Documents" shall mean the certificate of merger and all other agreements and documents related to the Merger.

"Minimum Borrowing Amount" shall mean (i) for Term Loans, $1,000,000, (ii) for Revolving Loans, $ 100,000 and (iii) for Swingline Loans, $50,000.

"Net Debt Proceeds" shall mean, with respect to any incurrence of Indebtedness for borrowed money, the cash proceeds (net of underwriting discounts and commissions and other costs associated therewith) received by the respective Person from the respective incurrence of such Indebtedness for borrowed money.

"Net Equity Proceeds" shall mean, with respect to each issuance or sale of any equity by any Person or any capital contribution to such Person, the cash proceeds (net of underwriting discounts and commissions and other costs associated therewith) received by such Person from the respective sale or issuance of its equity or from the respective capital contribution.

"Net Insurance Proceeds" shall mean, with respect to any Recovery Event, the cash proceeds (net of costs and taxes incurred in connection with such Recovery Event) received by the respective Person in connection with such Recovery Event.

"Net Sale Proceeds" shall mean, for any Asset Sale, the gross cash proceeds (including any cash received by way of deferred payment pursuant to a promissory note, receivable or otherwise, but only as and when received) received from such sale of assets, net of the costs of such sale (including fees and commissions, payments of unassumed liabilities relating to the assets sold and required payments of any Indebtedness (other than Indebtedness secured pursuant to the Security Documents) which is secured by the respective assets which were sold), and the taxes paid or payable as a result of such Asset Sale.

"Non-Compete Agreements" shall have the meaning provided in Section 5.05.

"Non-Defaulting Lender" and "Non-Defaulting RL Lender" shall mean and include each Lender or RL Lender, as the case may be, other than a Defaulting Lender.

"Note" shall mean each Term Note, each Revolving Note and the Swingline Note.

"Notice of Borrowing" shall have the meaning provided in Section 1.03(a).

"Notice of Conversion" shall have the meaning provided in Section 1.06.

"Notice Office" shall mean the office of the Administrative Agent located at One Bankers Trust Plaza, 130 Liberty Street, New York, New York 10006, Attention: Ariana Delucia or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"Obligations" mean all amounts owing to any Agent, the Collateral Agent, the Issuing Lender or any Lender pursuant to the terms of this Agreement or any other Credit Document.

"Other Hedging Agreement" shall mean any foreign exchange contracts, currency swap agreements, commodity agreements or other similar agreements or arrangements designed to protect against the fluctuations in currency values.

"Participant" shall have the meaning provided in Section 2.04(a).

"Payment Office" shall mean the office of the Administrative Agent located at One Bankers Trust Plaza, 130 Liberty Street, New York, New York 10006, or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

"Permitted Liens" shall have the meaning provided in Section 9.01.

"Person" shall mean any individual, partnership, joint venture, firm, corporation, association, limited liability company, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" shall mean any pension plan as defined in Section 3(2) of ERISA other than a Foreign Pension Plan, which is maintained or contributed to by (or to which there is an obligation to contribute of) Holdings, a Subsidiary of Holdings or an ERISA Affiliate, and each such plan for which Holdings, a Subsidiary of Holdings or an ERISA Affiliate is reasonably expected to have liability under Section 4069 or 4212(c) of ERISA.

"Pledge Agreement" shall have the meaning provided in Section 5.09.

"Pledge Agreement Collateral" shall mean all "Collateral" as defined in the Pledge Agreement.

"Pledgee" shall have the meaning provided in the Pledge Agreement.

"Prime Lending Rate" shall mean the rate which BTCo announces from time to time as its prime lending rate, the Prime Lending Rate to change when and as such prime lending rate changes. The Prime Lending Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. BTCo may make commercial loans or other loans at rates of interest at, above or below the Prime Lending Rate.

"Projections" shall mean the projections, dated March 9, 1999, which were prepared by or on behalf of Holdings in connection with the Transaction and delivered to each Agent and the Lenders prior to the Initial Borrowing Date.

"Qualified IPO" shall mean a bona fide underwritten sale to the public of common stock of Holdings pursuant to a registration statement (other than on Form S-8 or any other form relating to securities issuable under any benefit plan of Holdings or any of its Subsidiaries, as the case may be) that is declared effective by the SEC and such offering results in gross cash proceeds to Holdings (exclusive of underwriter's discounts and commissions and other expenses) of at least $15,000,000.

"Qualified Preferred Stock" shall mean any preferred stock of Holdings so long as the terms of any such preferred stock (v) do not contain any mandatory put, redemption,

repayment, sinking fund or other similar provision, (w) do not require the cash payment of dividends, (x) do not contain any covenants, (y) do not grant the holders thereof any voting rights except for (I) voting rights required to be granted to such holders under applicable law and (II) limited customary voting rights on fundamental matters such as mergers, consolidations, sales of all or substantially all of the assets of Holdings, or liquidations involving Holdings, and (z) are otherwise reasonably satisfactory to the Administrative Agent.

"Quarterly Payment Date" shall mean the last Business Day of each March, June, September and December occurring after the Initial Borrowing Date, commencing on March 31, 1999.

"RCRA" shall mean the Resource Conservation and Recovery Act, as the same may be amended from time to time, 42 U.S.C. (S) 6901 et seq.

"Real Property" of any Person shall mean all the right, title and interest of such Person in and to land, improvements and fixtures, including Leaseholds.

"Recovery Event" shall mean the receipt by Holdings or any of its Subsidiaries of any cash insurance proceeds or condemnation awards payable (i) by reason of theft, loss, physical destruction, damage, taking or any other similar event with respect to any property or assets of Holdings or any of its Subsidiaries and (ii) under any policy of insurance required to be maintained under Section 8.03.

"Register" shall have the meaning provided in Section 13.15.

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Regulation T" shall mean Regulation T of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Regulation U" shall mean Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Regulation X" shall mean Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Release" shall mean the disposing, discharging, injecting, spilling, pumping, leaking, leaching, dumping, emitting, escaping, emptying, pouring or migrating, into or upon any land or water or air, or otherwise entering into the environment.

"Replaced Lender" shall have the meaning provided in Section 1.13.

"Replacement Lender" shall have the meaning provided in Section 1.13.

"Reportable Event" shall mean an event described in Section 4043(c) of ERISA with respect to a Plan that is subject to Title IV of ERISA other than those events as to which the 30-day notice period is waived under subsection .22, .23, .25, .27 or .28 of PBGC Regulation Section 4043.

"Required Lenders" shall mean Non-Defaulting Lenders the sum of whose outstanding Term Loans and Revolving Loan Commitments (or after the termination thereof, outstanding Revolving Loans and RL Percentages of (x) outstanding Swingline Loans and (y) Letter of Credit Outstandings) represent at least 50.1 % of the sum of (i) all outstanding Term Loans of Non-Defaulting Lenders and (ii) the Total Revolving Loan Commitment less the Revolving Loan Commitments of all Defaulting Lenders (or after the termination thereof, the sum of the then total outstanding Revolving Loans of Non-Defaulting Lenders and the aggregate RL Percentages of all Non-Defaulting Lenders of the total (x) outstanding Swingline Loans and (y) Letter of Credit Outstandings at such time).

"Revolving Loan" shall have the meaning provided in Section 1.01(b).

"Revolving Loan Commitment" shall mean, for each Lender, the amount set forth opposite such Lender's name in Schedule I directly below the column entitled "Revolving Loan Commitment," as same may be (x) reduced from time to time pursuant to Sections 3.02, 3.03 and/or 10 or (y) adjusted from time to time as a result of assignments to or from such Lender pursuant to Section 1.13 or 13.04(b).

"Revolving Loan Maturity Date" shall mean October 1, 2003.

"Revolving Note" shall have the meaning provided in Section 1.05(a).

"RL Lender" shall mean each Lender with a Revolving Loan Commitment or with outstanding Revolving Loans.

"RL Percentage" of any RL Lender at any time shall mean a fraction (expressed as a percentage) the numerator of which is the Revolving Loan Commitment of such RL Lender at such time and the denominator of which is the Total Revolving Loan Commitment at such time, provided that if the RL Percentage
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of any Lender is to be determined after the Total Revolving Loan Commitment has been terminated, then the RL Percentages of such RL Lender shall be determined immediately prior (and without giving effect) to such termination.

"Scheduled Repayments" shall have the meaning provided in Section 4.02(b).

"SEC" shall have the meaning provided in Section 8.01(h).

"Section 4.04(b)(ii) Certificate" shall have the meaning provided in Section 4.04(b)(ii).

"Secured Creditors" shall have the meaning assigned that term in the respective Security Documents.

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

"Security Agreement" shall have the meaning provided in Section 5.10.

"Security Agreement Collateral" shall mean all "Collateral" as defined in the Security Agreement.

"Security Document" shall mean and include each of the Security Agreement, the Pledge Agreement and, after the execution and delivery thereof, each Additional Security Document.

"Shareholders' Agreements" shall have the meaning provided in Section 5.05.

"Stated Amount" of each Letter of Credit shall mean, at any time, the maximum amount available to be drawn thereunder (in each case determined without regard to whether any conditions to drawing could then be met).

"Subsidiaries Guaranty" shall have the meaning provided in Section 5.11.

"Subsidiary" shall mean, as to any Person, (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person and/or one or more Subsidiaries of such Person and (ii) any partnership, limited liability company, association, joint venture or other entity in which such Person and/or one or more Subsidiaries of such Person has more than a 50% equity interest at the time.

"Subsidiary Guarantor" shall mean each Wholly-Owned Domestic Subsidiary of the Borrower and, to the extent provided in Section 8.16, each Wholly-Owned Foreign Subsidiary of the Borrower.

"Swingline Expiry Date" shall mean that date which is five Business Days prior to the Revolving Loan Maturity Date.

"Swingline Lender" shall mean BTCo.

"Swingline Loan" shall have the meaning provided in Section 1.01(c).

"Swingline Note" shall have the meaning provided in Section 1.05(a).

"Syndication Agent" shall mean BankBoston, N.A.

"Tax Benefit" shall have the meaning provided in Section 4.04(c).

"Tax Sharing Agreements" shall have the meaning provided in Section 5.05.

"Taxes" shall have the meaning provided in Section 4.04(a).

"Term Loan" shall have the meaning provided in Section 1.01(a).

"Term Loan Commitment" shall mean, for each Lender, the amount set forth opposite such Lender's name in Schedule I directly below the column entitled "Term Loan Commitment," as same may be terminated pursuant to Sections 3.03 and/or 10.

"Term Loan Maturity Date" shall mean October 1, 2003.

"Term Note" shall have the meaning provided in Section 1.05(a).

"Test Period" shall mean (i) for any determination made on or prior to the last day of Holdings' fiscal quarter ending closest to May 31, 1999, the period from the first day of Resources' fiscal quarter beginning closest to September 1, 1998 through and including the last day of Holdings' fiscal quarter ending closest to May 31, 1999 (taken as one accounting period) and (ii) for any determination made thereafter, each period of four consecutive fiscal quarters of Holdings then last ended (in each case taken as one accounting period); provided, however, the following rules shall apply:
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(i) for purposes of determining compliance with Section 9.09 at any time prior to the last day of Holdings' fiscal quarter ending closest to May 31, 1999, Consolidated EBITDA shall be the actual Consolidated EBITDA for the period from the first day of Resources' fiscal quarter beginning closest to September 1, 1998 through and including the last day of Resources' fiscal quarter ending closest to February 28, 1999 (which period also shall be a Test Period for purposes of such Section 9.09) multiplied by 2;

(ii) for purposes of determining compliance with Sections 9.08, 9.09 and 9.10 at any time on and after last day of Holdings' fiscal quarter ending closest to May 31, 1999 and prior to the last day of Holdings' fiscal quarter ending closest to August 31, 1999, Consolidated EBITDA shall be the actual Consolidated EBITDA for the period from the first day of Resources' fiscal quarter beginning closest to September 1, 1998 through and including the last day of Holdings' fiscal quarter ending closest to May 31, 1999 multiplied by 4/3; and

(iii) for purposes of determining compliance with Section 9.08 (x) for any Test Period ending on or prior to the last day of Holdings' fiscal quarter ending closest to February 28, 2000, Consolidated Interest Expense for any portion of a Test Period ended prior to the Initial Borrowing Date shall be calculated on a pro forma basis as if the Transaction had occurred
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on the first day of each such Test Period and (y) for the Test Period ending closest to May 31, 1999, Consolidated Interest Expense shall be determined as otherwise provided in this definition multiplied by 4/3.

"Total Commitment" shall mean, at any time, the sum of the Commitments of each of the Lenders.

"Total Revolving Loan Commitment" shall mean, at any time, the sum of the Revolving Loan Commitments of each of the Lenders.

"Total Unutilized Revolving Loan Commitment" shall mean, at any time, an amount equal to the remainder of (x) the Total Revolving Loan Commitment then in effect less (y) the sum of the aggregate principal amount of all Revolving Loans and Swingline Loans then outstanding plus the then aggregate amount of all Letter of Credit Outstandings.

"Tranche" shall mean the respective facility and commitments utilized in making Loans hereunder, with there being three separate Tranches, i.e., Term
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Loans, Revolving Loans and Swingline Loans.

"Transaction" shall mean, collectively, (i) the Acquisition, (ii) the Equity Financing, (iii) the issuance of the Holdings Subordinated Notes, (iv) the Merger, (v) the entering into of the Credit Documents and the incurrence of Loans on the Initial Borrowing Date and (vi) the payment of all fees and expenses in connection with the foregoing.

"Transition Services Agreement" shall mean the Transition Services Agreement, dated as of April 1, 1999, among Holdings, Resources and Deloitte & Touche LLP.

"Type" shall mean the type of Loan determined with regard to the interest option applicable thereto, i.e., whether a Base Rate Loan or a
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Eurodollar Loan.

"UCC" shall mean the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

"Unfunded Current Liability" of any Plan shall mean the amount, if any, by which the value of the accumulated plan benefits under the Plan determined on a plan termination basis in accordance with actuarial assumptions at such time consistent with those prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds the fair market value of all plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contribution).

"United States" and "U.S." shall each mean the United States of America.

"Unpaid Drawing" shall have the meaning provided for in Section 2.05(a).

"Unutilized Revolving Loan Commitment" shall mean, with respect to any Lender at any time, such Lender's Revolving Loan Commitment at such time less the sum of (i) the aggregate outstanding principal amount of all Revolving Loans made by such Lender at such time and (ii) such Lender's RL Percentage of the Letter of Credit Outstandings at such time.

"Wholly-Owned Domestic Subsidiary" shall mean, as to any Person, any Wholly-Owned Subsidiary of such Person which is a Domestic Subsidiary.

"Wholly-Owned Foreign Subsidiary" shall mean, as to any Person, any Wholly-Owned Subsidiary of such Person which is a Foreign Subsidiary.

"Wholly-Owned Subsidiary" shall mean, as to any Person, (i) any corporation 100% of whose capital stock (other than director's qualifying shares) is at the time owned by such Person and/or one or more Wholly-Owned Subsidiaries of such Person and (ii) any partnership, limited liability company, association, joint venture or other entity in which such Person and/or one or more Wholly-Owned Subsidiaries of such Person has a 100% equity interest at such time.

"Year 2000 Compliant" shall mean that all of Holdings' and its Subsidiaries' Information Systems and Equipment accurately process date data (including, but not limited to, calculating, comparing and sequencing) before, during and after the year 2000, as well as same and multi-century dates, or between the years 1999 and 2000, taking into account all leap years, including the fact that the year 2000 is a leap year, and further, that when used in combination with, or interfacing with, Information Systems and Equipment of any other Person, shall accurately accept, release and exchange date data, and shall in all material respects continue to function in the same manner as it performs today and shall not otherwise impair the accuracy or functionality of Holdings' or any of its Subsidiaries' Information Systems and Equipment.

SECTION 12. The Agents.

12.01 Appointment. The Lenders hereby irrevocably designate BTCo as
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Administrative Agent (for purposes of this Section 12, the term "Administrative Agent" also shall include BTCo in its capacity as (x) Collateral Agent pursuant to the Security Documents and (y) Lead Arranger hereunder) to act as specified herein and in the other Credit Documents. The Lenders hereby irrevocably designate U.S. Bank National Association as Documentation Agent and BankBoston, N.A. as Syndication Agent to act as specified herein and in the other Credit Documents. Each Lender hereby irrevocably authorizes, and each holder of any Note by the acceptance of such Note shall be deemed irrevocably to authorize, each Agent to take such action on their behalf under the provisions of this Agreement, the other Credit Documents and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of such Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. Each Agent may perform any of its respective duties hereunder by or through its officers, directors, agents, employees or affiliates.

12.02 Nature of Duties. Neither the Administrative Agent, the
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Syndication Agent nor the Documentation Agent shall have any duties or responsibilities except those expressly set forth in this Agreement and in the other Credit Documents. None of the Agents nor any of their respective officers, directors, agents, employees or affiliates shall liable for any action taken or omitted by them hereunder or under any other Credit Document or in connection herewith or therewith, unless caused by its or their gross negligence or willful misconduct (as finally determined by a court of competent jurisdiction). The duties of the Agents shall be mechanical and administrative in nature; neither the Administrative Agent, the Syndication Agent nor the Documentation Agent shall have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Lender or the holder of any Note; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon any Agent any obligations in respect of Agreement or any other Credit Document except as expressly set forth herein or therein.

12.03 Lack of Reliance on the Agents. Independently and without reliance upon the Administrative Agent, the Syndication Agent or the Documentation Agent, each Lender and the holder of each Note, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of Holdings and its Subsidiaries in connection with the making and the continuance of the Loans and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of Holdings and its Subsidiaries and, except as expressly provided in this Agreement, neither the Administrative Agent, the Syndication Agent nor the Documentation Agent shall have any duty or responsibility, either initially or on a continuing basis, to provide any Lender or the holder of any Note with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter. None of the Agents shall be responsible to any Lender or the holder of any Note for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of this Agreement or any other Credit Document or the financial condition of Holdings or any of its Subsidiaries or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any other Credit Document, or the financial condition of Holdings or any of its Subsidiaries or the existence or possible existence of any Default or Event of Default.

12.04 Certain Rights of the Agents. If any Agent shall request instructions from the Required Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Credit Document, such Agent shall be entitled to refrain from such act or taking such action unless and until such Agent shall have received instructions from the Required Lenders; and such Agent shall not incur liability to any Lender by reason of so refraining. Without limiting the foregoing, no Lender or the holder of any Note shall have any right of action whatsoever against any Agent as a result of such Agent acting or refraining from acting hereunder or under any other Credit Document in accordance with the instructions of the Required Lenders.

12.05 Reliance. Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by any Person that such Agent believed to be the proper Person, and, with respect to all legal matters pertaining to this Agreement and any other Credit Document and its duties hereunder and thereunder, upon advice of counsel selected by such Agent.

12.06 Indemnification. To the extent any Agent is not reimbursed and indemnified by Holdings or any of its Subsidiaries, the Lenders will reimburse and indemnify such Agent in proportion to their respective "percentage" as used in determining the Required Lenders (determined as if there were no Defaulting Lenders) for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by such Agent in performing its duties hereunder or under any other Credit Document or in any way relating to or arising out of this Agreement or any other Credit Document; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages,

penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct (as finally determined by a court of competent jurisdiction).

12.07 Each Agent in its Individual Capacity. With respect to its obligation to make Loans, or issue or participate in Letters of Credit, under this Agreement, each Agent shall have the rights and powers specified herein for a "Lender" and may exercise the same rights and powers as though it were not performing the duties specified herein; and the term "Lender," "Required Lenders," "holders of Notes" or any similar terms shall, unless the context clearly otherwise indicates, include such Agent in its respective individual capacities. Each Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of banking, investment banking, trust or other business with, or provide debt financing, equity capital or other services (including financial advisory services) to, any Credit Party or any Affiliate of any Credit Party (or any Person engaged in a similar business with any Credit Party or any Affiliate thereof) as if they were not performing the duties specified herein, and may accept fees and other consideration from any Credit Party or any Affiliate of any Credit Party for services in connection with this Agreement and otherwise without having to account for the same to the Lender.

12.08 Holders. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have been filed with the Administrative Agent. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee, assignee or indorsee, as the case may be, of such Note or of any Note or Notes issued in exchange therefor.

12.09 Resignation by the Administrative Agent or the Documentation Agent. (a) The Administrative Agent may resign from the performance of all its respective functions and duties hereunder and/or under the other Credit Documents at any time by giving 15 Business Days' prior written notice to the Lenders. Such resignation shall take effect upon the appointment of a successor Administrative Agent pursuant to clauses (b) and (c) below or as otherwise provided below. The Documentation Agent and Syndication Agent may resign from the performance of its functions duties hereunder at any time by giving the Administrative Agent notice thereof. Such resignation shall take effect upon the giving of such notice.

(b) Upon any such notice of resignation by the Administrative Agent, the Required Lenders shall appoint a successor Administrative Agent hereunder or thereunder who shall be a commercial bank or trust company reasonably acceptable to the Borrower.

(c) If a successor Administrative Agent shall not have been so appointed within such 15 Business Day period, the Administrative Agent with the consent of the Borrower (which consent shall not be unreasonably withheld or delayed), shall then appoint a successor Administrative Agent who shall serve as Administrative Agent hereunder or thereunder until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided above.

(d) If no successor Administrative Agent has been appointed pursuant to clause (b) or (c) above by the 20th Business Day after the date such notice of resignation was given by the Administrative Agent, the Administrative Agent's resignation shall become effective and the Required Lenders shall thereafter perform all the duties of the Administrative Agent hereunder and/or under any other Credit Document until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided above.

SECTION 13. Miscellaneous

13.01 Payment of Expenses, etc. The Borrower shall: (i) whether or not the transactions herein contemplated are consummated, pay all reasonable out-of-pocket costs and expenses (x) of each Agent (including, without limitation, the reasonable fees and disbursements of White & Case LLP (but no other law firm not approved by the Borrower) and of the Agents' consultants retained with the Borrower's approval) in connection with the preparation, execution and delivery of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein and any amendment, waiver or consent relating hereto or thereto, and of the Agents in connection with their syndication efforts with respect to this Agreement and (y) of the Agents and, after the occurrence of an Event of Default, each of the Lenders in connection with the enforcement of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or pursuant to any insolvency or bankruptcy proceedings (including, in each case without limitation, the reasonable fees and disbursements of counsel and consultants for the Agents and, after the occurrence of an Event of Default, counsel for each of the Lenders); (ii) pay and hold each of the Lenders harmless from and against any and all present and future stamp, excise and other similar documentary taxes with respect to the foregoing matters and save each of the Lenders harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Lender) to pay such taxes; and (iii) indemnify each Agent and each Lender, and each of their respective officers, directors, employees, representatives, agents, trustees and investment advisors from and hold each of them harmless against any and all liabilities, obligations (including removal or remedial actions), losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements (including reasonable attorneys' and consultants' fees and disbursements) incurred by, imposed on or assessed against any of them as a result of, or arising out of, or in any way related to, or by reason of, (a) any investigation, litigation or other proceeding (whether or not any Agent or any Lender is a party thereto and whether or not such investigation, litigation or other proceeding is brought by or on behalf of any Credit Party) related to the entering into and/or performance of this Agreement or any other Credit Document or the use of any Letter of Credit or the proceeds of any Loans hereunder or the consummation of the Transaction or any other transactions contemplated herein or in any other Credit Document or the exercise of any of their rights or remedies provided herein or in the other Credit Documents, or (b) the actual or alleged presence of Hazardous Materials in the air, surface water or groundwater or on the surface or subsurface of any Real Property owned, leased or at any time operated by Holdings or any of its Subsidiaries, the generation, storage, transportation, handling or disposal of Hazardous Materials by Holdings or any of its Subsidiaries at any location, whether or not owned, leased or operated by Holdings or any of its Subsidiaries, the non-compliance of any Real Property with foreign, federal, state and

local laws, regulations, and ordinances (including applicable permits thereunder) applicable to any Real Property, or any Environmental Claim asserted against Holdings, any of its Subsidiaries or any Real Property owned, leased or at any time operated by Holdings or any of its Subsidiaries, including, in each case, without limitation, the reasonable fees and disbursements of counsel and other consultants incurred in connection with any such investigation, litigation or other proceeding (but excluding any losses, liabilities, claims, damages or expenses to the extent incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified (as finally determined by a court competent jurisdiction)). To the extent that the undertaking to indemnify, pay or hold harmless each Agent or any Lender set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrower shall make the maximum contribution to the payment and satisfaction of each of the indemnified liabilities which is permissible under applicable law.

13.02 Right of Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence and during the continuance of an Event of Default, the Administrative Agent and each Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to any Credit Party or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by the Administrative Agent or such Lender (including, without limitation, by branches and agencies of such Lender wherever located) to or for the credit or the account of any Credit Party against and on account of the Obligations and liabilities of the Credit Parties to the Administrative Agent or such Lender under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations purchased by such Lender pursuant to Section 13.06(b), and all other claims of any nature or description arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not such Lender shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

13.03 Notices. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, telecopier or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered: if to any Credit Party, at the address specified opposite its signature below or in the other relevant Credit Documents; if to any Lender, at its address specified on Schedule II; and if to the Administrative Agent, at the Notice Office; or, as to any Credit Party or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties hereto and, as to each Lender, at such other address as shall be designated by such Lender in a written notice to the Borrower and the Administrative Agent. All such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by overnight courier, be effective when deposited in the mails, delivered to the telegraph company, cable company or overnight courier, as the case may be, or sent by telex or telecopier, except that notices and communications to the Administrative Agent and the Borrower shall not be effective until received by the Administrative Agent or the Borrower, as the case may be.

13.04 Benefit of Agreement; Assignments; Participations. (a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors

and assigns of the parties hereto; provided, however, the Borrower may not assign or transfer any of its rights, obligations or interest hereunder without the prior written consent of the Lenders and, provided further, that, although any Lender may grant participations in its rights hereunder, such Lender shall remain a "Lender" for all purposes hereunder (and may not transfer or assign all or any portion of its Commitments hereunder except as provided in Sections 1.13 and 13.04(b)) and the participant shall not constitute a "Lender hereunder and, provided further, that no Lender shall grant any participation under which the participant shall have rights to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) extend the final scheduled maturity of any Loan, Note or Letter of Credit (unless such Letter of Credit is not extended beyond the Revolving Loan Maturity Date) in which such participant is participating, or reduce the rate or extend the time of payment of interest or Fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Total Commitment shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof), (ii) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement or (iii) release all or substantially all of the Collateral under all of the Security Documents (except as expressly provided in the Credit Documents) supporting the Loans or Letters of Credit hereunder in which such participant is participating. In the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Credit Documents (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the participant relating thereto) and all amounts payable by the Borrower hereunder shall be determined as if such Lender had not sold such participation.

(b) Notwithstanding the foregoing, any Lender (or any Lender together with one or more other Lenders) may (x) assign all or a portion of its Commitments and related outstanding Obligations (or, if the Commitments with respect to the relevant Tranche have terminated, outstanding Obligations) hereunder to (i) its parent company and/or any affiliate of such Lender which is at least 50% owned by such Lender or its parent company or to one or more Lenders or (ii) in the case of any Lender that is a fund that invests in loans, any other fund that invests in loans and is managed or advised by the same investment advisor of such Lender or by an Affiliate of such investment advisor or (y) assign all, or if less than all, a portion equal to at least $2,000,000 in the aggregate for the assigning Lender or assigning Lenders, of such Commitments and related outstanding Obligations (or, if the Commitments with respect to the relevant Tranche have terminated, outstanding Obligations) hereunder to one or more Eligible Transferees (treating any fund that invests in loans and any other fund that invests in loans and is managed or advised by the same investment advisor of such fund or by an Affiliate of such investment advisor as a single Eligible Transferee), each of which assignees shall become a party to this Agreement as a Lender by execution of an Assignment and Assumption Agreement, provided that, (i) at such time Schedule I shall be deemed modified to reflect the Commitments and/or outstanding Loans, as the case may be, of such new Lender and of the existing Lenders, (ii) upon the surrender of the relevant Notes by the assigning Lender marked "canceled" (or, upon

such assigning Lender's indemnifying the Borrower for any lost Note pursuant to a customary indemnification agreement reasonably acceptable to the Borrower) new Notes will be issued, at the Borrower's expense, to such new Lender and to the assigning Lender upon the request of such new Lender or assigning Lender, such new Notes to be in conformity with the requirements of Section 1.05 (with appropriate modifications) to the extent needed to reflect the revised Commitments and/or outstanding Loans, as the case may be, (iii) the consent of the Administrative Agent and, so long as no Default or Event of Default then exists, the consent of the Borrower (each of which consents shall not be unreasonably withheld or delayed) shall be required in connection with any assignment to an Eligible Transferee pursuant to clause (y) above, (iv) the Administrative Agent shall receive at the time of each such assignment, from the assigning or assignee Lender, the payment of a non-refundable assignment fee of $3,500 and (v) no such transfer or assignment will be effective until recorded by the Administrative Agent on the Register pursuant to Section 13.15. To the extent of any assignment pursuant to this Section 13.04(b), the assigning Lender shall be relieved of its obligations hereunder with respect to its assigned Commitments and outstanding Loans. At the time of each assignment pursuant to this Section 13.04(b) to a Person which is not already a Lender hereunder and which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, the respective assignee Lender shall, to the extent legally entitled to do so, provide to the Borrower the appropriate Internal Revenue Service Forms (and, if applicable, a Section 4.04(b)(ii) Certificate) described in Section 4.04(b). To the extent that an assignment of all or any portion of a Lender's Commitments and related outstanding Obligations pursuant to Section 1.13 or this Section 13.04(b) would, at the time of such assignment, result in increased costs under Section 1.10, 2.06 or 4.04 from those being charged by the respective assigning Lender prior to such assignment, then the Borrower shall not be obligated to pay such increased costs (although the Borrower, in accordance with and pursuant to the other provisions of this Agreement, shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment).

(c) Nothing in this Agreement shall prevent or prohibit any Lender from pledging its Loans and Notes hereunder to a Federal Reserve Bank in support of borrowings made by such Lender from such Federal Reserve Bank and, with the consent of the Administrative Agent and the Borrower, any Lender which is a fund may pledge all or any portion of its Loans and Notes to its trustee in support of its obligations to its trustee. No pledge pursuant to this clause (c) shall release the transferor Lender from any of its obligations hereunder.

13.05 No Waiver, Remedies Cumulative. No failure or delay on the part
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of the Administrative Agent, the Syndication Agent, the Documentation Agent, the Collateral Agent, the Issuing Lender or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document no course of dealing between the Borrower or any other Credit Party and the Administrative Agent, the Syndication Agent, the Documentation Agent, the Collateral Agent, the Issuing Lender or any Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights, powers and remedies herein or in any other Credit Document expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Administrative Agent, the Syndication Agent, the Documentation Agent, the Collateral

Agent, the Issuing Lender or any Lender would otherwise have. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent, the Syndication Agent, the Documentation Agent, the Collateral Agent, the Issuing Lender or any Lender to any other or further action in any circumstances without notice or demand.

13.06 Payments Pro Rata. (a) Except as otherwise provided in this Agreement, the Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of the Borrower in respect of any Obligations hereunder, it shall distribute such payment to the Lenders (other than any Lender that has consented in writing to waive its pro rata share of any such payment) pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

(b) Each of the Lenders agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Credit Documents, or otherwise), which is applicable to the payment of the principal of, or interest on, the Loans, Unpaid Drawings, Commitment Commission or Letter of Credit Fees, of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of such Obligation then owed and due to such Lender owed such Obligations bears to the total of such Obligation then owed and due to all of the Lenders immediately prior to such receipt, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from such other Lenders participating in such Obligations an interest in the Obligations of the respective Credit Party to such Lenders in such amount as shall result in a proportional participation by all the Lenders in such amount; provided that if all or any portion of such excess amount is thereafter recovered from such Lenders, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

(c) Notwithstanding anything to the contrary contained herein, the provisions of the preceding Sections 13.06(a) and (b) be subject to the express provisions of this Agreement which require, or permit, differing payments to be made to Non-Defaulting Lenders as opposed to Defaulting Lenders.

13.07 Calculations: Computations; Accounting Terms. (a) The financial statements to be furnished to the Lenders pursuant hereto shall be made and prepared in accordance with generally accepted accounting principles in the United States consistently applied throughout the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by Holdings or the Borrower to the Lenders); provided that, except as otherwise specifically provided herein, all computations of Excess Cash Flow, and all computations and all definitions used in determining compliance with Sections 9.07 through 9.10, inclusive, (x) shall utilize accounting principles and policies in conformity with those used to prepare the historical financial statements of Resources referred to in Section 7.05(a) and (y) shall be determined as if no Holdings Subordinated Notes are outstanding.

(b) All computations of interest, Commitment Commission and other Fees hereunder shall be made on the basis of a year of 360 days for the actual number of days

(including the first day but excluding the last day; except that in the case of Letter of Credit Fees, the last day shall be included) occurring in the period for which such interest, Commitment Commission or Fees are payable; provided that Base Rate Loans the rate of interest on which is determined by reference to the Prime Lending Rate shall be made on the basis of a year of 365 days for the actual number of days occurring in the period for which such interest is payable.

13.08 GOVERNING LAW: SUBMISSION TO JURISDICTION: VENUE; WAIVER OF JURY TRIAL. (a) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, EACH OF HOLDINGS AND THE BORROWER HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH OF HOLDINGS AND THE BORROWER HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH COURTS LACK PERSONAL JURISDICTION OVER SUCH CREDIT PARTY, AND AGREES NOT TO PLEAD OR CLAIM, IN ANY LEGAL ACTION PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENTS BROUGHT IN ANY OF THE AFOREMENTIONED COURTS, THAT SUCH COURTS LACK PERSONAL JURISDICTION OVER SUCH CREDIT PARTY. EACH OF HOLDINGS AND THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO SUCH CREDIT PARTY AT ITS ADDRESS SET FORTH OPPOSITE ITS SIGNATURE BELOW, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING. EACH OF HOLDINGS AND THE BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION TO SUCH SERVICE OF PROCESS AND FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY ACTION OR PROCEEDING COMMENCED HEREUNDER OR UNDER ANY OTHER CREDIT DOCUMENT THAT SERVICE OF PROCESS WAS IN ANY WAY INVALID OR INEFFECTIVE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT, ANY LENDER OR THE HOLDER OF ANY NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST HOLDINGS OR THE BORROWER IN ANY OTHER JURISDICTION.

(b) EACH OF HOLDINGS AND THE BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) ABOVE AND HEREBY FURTHER IRREVOCABLY, TO THE EXTENT

PERMITTED BY APPLICABLE LAW, WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

13.09 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower, the Administrative Agent, the Syndication Agent and the Documentation Agent.

13.10 Effectiveness. This Agreement shall become effective on the date (the "Effective Date") on which Holdings, Acquisition Corp., Resources, each Agent and each of the Lenders shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered the same to the Administrative Agent at the Notice Office or, in the case of the Lenders, shall have given to the Administrative Agent telephonic (confirmed in writing), written or telex notice (actually received) at such office that the same has been signed and mailed to it. The Administrative Agent will give Holdings, the Borrower and each Lender prompt written notice of the occurrence of the Effective Date.

13.11 Headings Descriptive. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

13.12 Amendment or Waiver: etc. (a) Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto and the Required Lenders, provided that no such change, waiver, discharge or termination shall, without the consent of each Lender (other than a Defaulting Lender) (with Obligations being directly affected in the case of following clause (i)), (i) extend the final scheduled maturity of any Loan or Note or extend the stated expiration date of any Letter of Credit beyond the Revolving Loan Maturity Date, or reduce the rate or extend the time of payment of interest or Fees thereon (except in connection with the waiver of applicability of any post-default increase in interest rates), or reduce the principal amount thereof, (ii) release all or substantially all of the Collateral (except as expressly provided in the Credit Documents) under all the Security Documents, (iii) amend, modify or waive any provision of this Section 13.12 (except for technical amendments with respect to additional extensions of credit pursuant to this Agreement which afford the protections to such additional extensions of credit of the type provided to the Term Loans and the Revolving Loan Commitments on the Effective Date), (iv) reduce the percentage specified in the definition of Required Lenders (it being understood that,

with the consent of the Required Lenders, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Lenders on substantially the same basis as the extensions of Term Loans and Revolving Loan Commitments are included on the Effective Date) or (v) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement; provided further, that no such change, waiver, discharge
or termination shall (1) increase the Commitments of any Lender over the amount thereof then in effect without the consent of such Lender (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or Events of Default or of a mandatory reduction in the Total Commitment shall not constitute an increase of the Commitment of any Lender, and that an increase in the available portion of any Commitment of any Lender shall not constitute an increase of the Commitment of such Lender), (2) without the consent of the Issuing Lender, amend, modify or waive any provision of Section 2 or alter its rights or obligations with respect to Letters of Credit, (3) without the consent of the Swingline Lender, alter the Swingline Lender's rights or obligations with respect to Swingline Loans, (4) without the consent of each Agent, amend, modify or waive any provision of Section 12 or any other provision as same relates to the rights or obligations of such Agent, or (5) without the consent of Collateral Agent, amend, modify or waive any provision relating to the rights or obligations of the Collateral Agent.

(b) If, in connection with any proposed change, waiver, discharge or termination to any of the provisions of this Agreement as contemplated by clauses (i) through (v), inclusive, of the first proviso to Section 13.12(a), the consent of the Required Lenders is obtained but the consent of one or more of such other Lenders whose consent is required is not obtained, then the Borrower shall have the right, so long as all non-consenting Lenders whose individual consent is required are treated as described in either clauses (A) or (B) below, to either (A) replace each such non-consenting Lender or Lenders with one or more Replacement Lenders pursuant to Section 1.13 so long as at the time of such replacement, each such Replacement Lenders consents to the proposed change, waiver, discharge or termination or (B) terminate such non-consenting Lender's Commitments and/or repay each Tranche of outstanding Loans of such Lender in accordance with Sections 3.02(b) and/or 4.01(b), provided that, unless
the Commitments that are terminated, and Loans repaid, pursuant to preceding clause (B) are immediately replaced in full at such time through the addition of new Lenders or the increase of the Commitments and/or outstanding Loans of existing Lenders (who in each case must specifically consent thereto), then in the case of any action pursuant to preceding clause (B) the Required Lenders (determined after giving effect to the proposed action) shall specifically consent thereto, provided further, that in any event the Borrower shall not have
the right to replace a Lender, terminate its Commitments or repay its Loans solely as a result of the exercise of such Lender's rights (and the withholding of any required consent by such Lender) pursuant to the second proviso to Section 13.12(a).

13.13 Survival. All indemnities set forth herein including, without
limitation, in Sections 1.10, 1.11, 2.06, 4.04, 12.06 and 13.01 shall survive the execution, delivery and termination of this Agreement and the Notes and the making and repayment of the Obligations.

13.14 Domicile of Loans. Each Lender may transfer and carry its Loans
at, to or for the account of any office, Subsidiary or Affiliate of such Lender. Notwithstanding anything to the contrary contained herein, to the extent that a transfer of Loans pursuant to this Section 13.14

would, at the time of such transfer, result in increased costs under Section 1.10, 1.11, 2.06 or 4.04 from those being charged by the respective Lender prior to such transfer, then the Borrower shall not be obligated to pay such increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective transfer).

13.15 Register. The Borrower hereby designates the Administrative Agent to serve as the Borrower's agent, solely for purposes of this Section 13.15, to maintain a register (the "Register") on which it will record the Commitments from time to time of each of the Lenders, the Loans made by each of the Lenders and each repayment in respect of the principal amount of the Loans of each Lender. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligations in respect of such Loans. With respect to any Lender, the transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made pursuant to such Commitments shall not be effective until such transfer is recorded on the Register maintained by the Administrative Agent with respect to ownership of such Commitments and Loans and prior to such recordation all amounts owing to the transferor with respect to such Commitments and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Commitments and Loans shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement pursuant to Section 13.04(b). Coincident with the delivery of such an Assignment and Assumption Agreement to the Administrative Agent for acceptance and registration of assignment or transfer of all or part of a Loan, the assigning or transferor Lender shall surrender the Note (if any) evidencing such Loan marked "canceled", and thereupon one or more new Notes in the same aggregate principal amount shall be issued to the assigning or transferor Lender and/or the new Lender at the request of any such Lender. The Borrower agrees to indemnify the Administrative Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties under this Section 13.15, provided that the Borrower shall not be liable for the payment of any portion of such losses, claims, damages or liabilities resulting from the Administrative Agent's gross negligence or willful misconduct (as finally determined by a court of competent jurisdiction).

13.16 Confidentiality. (a) Subject to the provisions of clause (b) of this Section 13.16, each Lender agrees it will not disclose without the prior consent of the Borrower (other than to its employees, auditors, advisors or counsel or to another Lender if such Lender or such Lender's holding or parent company in its sole discretion determines that any such party should have access to such information, provided such Persons shall be subject to the provisions of this Section 13.16 to the same extent as such Lender) any information with respect to Holdings or any of its Subsidiaries which is now or in the future furnished pursuant to this Agreement or any other Credit Document, provided that any Lender may disclose any such information (i) as has become generally available to the public other than by virtue of a breach of this Section 13.16(a) by the respective Lender, (ii) as may be required or appropriate in any report, statement or testimony submitted to any municipal, state or Federal regulatory body having or claiming to have jurisdiction over such Lender or to the Federal Reserve Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or

their successors, (iii) as may be required or appropriate in respect to any summons or subpoena or in connection with any litigation, (iv) in order to comply with any law, order, regulation or ruling applicable to such Lender, (v) to the Administrative Agent, the Syndication Agent, the Documentation Agent or the Collateral Agent and (vi) to any prospective or actual transferee or participant in connection with any contemplated transfer or participation of any of the Notes or Commitments or any interest therein by such Lender, provided that such prospective transferee agrees to be bound by the confidentiality provisions contained in this Section 13.16.

(b) Each of Holdings and the Borrower hereby acknowledges and agrees that each Lender may share with any of its affiliates, and such affiliates may share with such Lender, any information related to Holdings or any of its Subsidiaries (including, without limitation, any non-public customer information regarding the creditworthiness of Holdings and its Subsidiaries), provided such Persons shall be subject to the provisions of this Section 13.16 to the same extent as such Lender.

13.17 Acknowledgement. Resources, as the surviving corporation of the Merger, hereby (i) acknowledges that from and after the consummation of the Merger, it shall assume (and hereby assumes) all rights, obligations, duties and liabilities of Acquisition Corp. under this Agreement, any Notes issued hereunder and the other Credit Documents to which Acquisition Corp. is a party and shall be the "Borrower" for all purposes under this Agreement and the other Credit Documents and all references in this Agreement and the other Credit Documents to the "Borrower" shall be deemed to be references to Resources and (ii) represents, warrants and agrees that from and after the consummation of the Merger, Resources will fully and faithfully perform all obligations (including payment obligations and compliance with all covenants) of the "Borrower" under this Agreement, any Notes delivered pursuant hereto and the other Credit Documents.

SECTION 14. Holdings Guaranty.

14.01 Guaranty. In order to induce each Agent, the Collateral Agent, the Issuing Lender and the Lenders to enter into this Agreement and to extend credit hereunder, and to induce the other Guaranteed Creditors to enter into Interest Rate Protection Agreements or Other Hedging Agreements, and in recognition of the direct benefits to be received by Holdings from the proceeds of the Loans, the issuance of the Letters of Credit and the entering into of such Interest Rate Protection Agreements or Other Hedging Agreements, Holdings hereby agrees with the Guaranteed Creditors as follows: Holdings hereby unconditionally and irrevocably guarantees as primary obligor not merely as surety the full and prompt payment when due, whether upon maturity, acceleration or otherwise, of any and all of the Guaranteed Obligations of the Borrower to the Guaranteed Creditors. If any or all of the Guaranteed Obligations of the Borrower to the Guaranteed Creditors becomes due and payable hereunder, Holdings unconditionally promises to pay such indebtedness to the Administrative Agent and/or the other Guaranteed Creditors, or order, on demand, together with any and all expenses which may be incurred by the Administrative Agent or the other Guaranteed Creditors in collecting any of the Guaranteed Obligations. If claim is ever made upon any Guaranteed Creditor for repayment or recovery of any amount or amounts received in payment or on account of any of the Guaranteed Obligations and any of the aforesaid payees repays all or part of said amount by reason of (i) any judgment,

decree or order of any court or administrative body having jurisdiction over such payee or any of its property or (ii) any settlement or compromise of any such claim effected by such payee with any such claimant (including the Borrower), then and in such event Holdings agrees that any such judgment, decree, order, settlement or compromise shall be binding upon Holdings, notwithstanding any revocation of this Guaranty or other instrument evidencing any liability of the Borrower, and Holdings shall be and remain liable to the aforesaid payees hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been received by any such payee. This Guaranty is a guaranty of payment and not collection.

14.02 Bankruptcy. Additionally, Holdings unconditionally and irrevocably guarantees the payment of any and all of the Guaranteed Obligations of the Borrower to the Guaranteed Creditors whether or not due or payable by the Borrower upon the occurrence of any of the events specified in Section 10.05, and unconditionally, jointly and severally, promises to pay such indebtedness to the Guaranteed Creditors, or order, on demand, in lawful currency of the United States.

14.03 Nature of Liability. The liability of Holdings hereunder is exclusive and independent of any security for or other guaranty of the Guaranteed Obligations of the Borrower whether executed by Holdings, any other guarantor or by any other party, and the liability of Holdings hereunder is not affected or impaired by (a) any direction as to application of payment by the Borrower or by any other party, or (b) any other continuing or other guaranty, undertaking or maximum liability of a guarantor or of any other party as to the Guaranteed Obligations of the Borrower, or (c) any payment on or in reduction of any such other guaranty or undertaking, or (d) any dissolution, termination or increase, decrease or change in personnel by the Borrower, or (e) any payment made to any Guaranteed Creditor on the Guaranteed Obligations which any such Guaranteed Creditor repays to the Borrower pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and Holdings waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding.

14.04 Independent Obligation. The obligations of Holdings hereunder are independent of the obligations of any other guarantor, any other party or the Borrower, and a separate action or actions may be brought and prosecuted against Holdings whether or not action is brought against any other guarantor, any other party or the Borrower and whether or not any other guarantor, any other party or the Borrower be joined in any such action or actions. Holdings waives, to the full extent permitted by law, the benefit of any statute of limitations affecting its liability hereunder or the enforcement thereof. Any payment by the Borrower or other circumstance which operates to toll any statute of limitations as to the Borrower shall operate to toll the statute of limitations as to Holdings.

14.05 Authorization. Holdings authorizes the Guaranteed Creditors without notice or demand (except as be required by applicable statute and cannot be waived), and without affecting or impairing its liability hereunder, from time to time to:

(a) change the manner, place or terms of payment of, and/or change or extend the time of payment of, renew, increase, accelerate or alter, any of the Guaranteed Obligations (including any increase or decrease in the rate of interest thereon), any security therefor, or any

liability incurred directly or indirectly in respect thereof, and the Guaranty herein made shall apply to the Guaranteed Obligations as so changed, extended, renewed or altered;

(b) take and hold security for the payment of the Guaranteed Obligations and sell, exchange, release, impair, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Guaranteed Obligations or any liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or any offset thereagainst;

(c) exercise or refrain from exercising any rights against the Borrower, any other Credit Party or others or otherwise act or refrain from acting;

(d) release or substitute any one or more endorsers, guarantors, the Borrower, other Credit Parties or other obligors;

(e) settle or compromise any of the Guaranteed Obligations, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of the Borrower to its creditors other than the Guaranteed Creditors;

(f) apply any sums by whomsoever paid or howsoever realized to any liability or liabilities of the Borrower to the Guaranteed Creditors regardless of what liability or liabilities of Holdings or the Borrower remain unpaid;

(g) consent to or waive any breach of, or any act, omission or default under, this Agreement, any other Credit Document or any of the instruments or agreements referred to herein or therein, or otherwise amend, modify or supplement this Agreement, any other Credit Document or any of such other instruments or agreements; and/or

(h) take any other action which would, under otherwise applicable principles of common law, give rise to a legal or equitable discharge of Holdings from its liabilities under this Guaranty.

14.06 Reliance. It is not necessary for any Guaranteed Creditor to inquire into the capacity or powers of Holdings or any of its Subsidiaries or the officers, directors, partners or agents acting or purporting to act on their behalf and any Guaranteed Obligations made or created in reliance upon the professed exercise of such powers be guaranteed hereunder.

14.07 Subordination. Any indebtedness of the Borrower now or hereafter owing to Holdings is hereby subordinated to the Guaranteed Obligations of the Borrower owing to the Guaranteed Creditors; and if the Administrative Agent so requests at a time when an Event of Default exists, all such indebtedness of the Borrower to Holdings shall be collected, enforced and received by Holdings for the benefit of the Guaranteed Creditors and be paid over to the Administrative Agent on behalf of the Guaranteed Creditors on account of the Guaranteed Obligations of the Borrower to the Guaranteed Creditors, but without affecting or impairing in any manner the liability of Holdings under the other provisions of this Guaranty. Prior to the

transfer by Holdings of any note or negotiable instrument evidencing any such indebtedness of the Borrower to Holdings, Holdings shall mark such note or negotiable instrument with a legend that the same is subject to this subordination. Without limiting the generality of the foregoing, Holdings hereby agrees with the Guaranteed Creditors that it will not exercise any right of subrogation which it may at any time otherwise have as a result of this Guaranty (whether contractual, under Section 509 of the Bankruptcy Code or otherwise) until all Guaranteed Obligations have been paid in full in cash.

14.08 Waiver. (a) Holdings waives any right (except as shall be required by applicable statute and cannot be waived) to require any Guaranteed Creditor to (i) proceed against the Borrower, any other guarantor or any other party, (ii) proceed against or exhaust any security held from the Borrower, any other guarantor or any other party or (iii) pursue any other remedy in any Guaranteed Creditor's power whatsoever. Holdings waives any defense based on or arising out of any defense of the Borrower, any other guarantor or any other party, other than payment in full of the Guaranteed Obligations, based on or arising out of the disability of the Borrower, any other guarantor or any other party, or the validity, legality or unenforceability of the Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower other than payment in full of the Guaranteed Obligations. The Guaranteed Creditors may, at their election, foreclose on any security held by the Administrative Agent, the Collateral Agent or any other Guaranteed Creditor by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Guaranteed Creditors may have against the Borrower or any other party, or any security, without affecting or impairing in any way the liability of Holdings hereunder except to the extent the Guaranteed Obligations have been paid. Holdings waives any defense arising out of any such election by the Guaranteed Creditors, even though such election operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of Holdings against the Borrower or any other party or any security.

(b) Holdings waives all presentments, demands for performance, protests and notices, including without limitation notices of nonperformance, notices of protest, notices of dishonor, notices of acceptance of this Guaranty, and notices of the existence, creation or incurring of new or additional Guaranteed Obligations. Holdings assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks which Holdings assumes and incurs hereunder, and agrees that neither the Agents nor the Banks shall have any duty to advise Holdings of information known to them regarding such circumstances or risks.

14.09 Nature of Liability. It is the desire and intent of Holdings and the Guaranteed Creditors that this Guaranty shall be enforced against Holdings to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If, however, and to the extent that, the obligations of Holdings under this Guaranty shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers), then the amount of Holdings obligations under this Guaranty shall be deemed to be reduced and

Holdings shall pay the maximum amount of the Guaranteed Obligations which would be permissible under applicable law.

* * *

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

RC TRANSACTION CORP.

By: /s/ Stephen J. Giusto

Title: C.F.O. & Secretary

RCLLC ACQUISITION CORP.

By: /s/ Stephen J. Giusto

Title: C.F.O. & Secretary

RE:SOURCES CONNECTION LLC

By: /s/ Stephen J. Giusto

Title: C.F.O. & Secretary

BANKERS TRUST COMPANY, Individually, as Administrative Agent and as Lead Arranger

By: /s/ Mary Kay Coyle

Title: Managing Director

U.S. BANK NATIONAL ASSOCIATION, Individually and as Documentation Agent

By: /s/ Kurt D. Egertson

Title: Vice President

BANKBOSTON, N.A., Individually and as Syndication Agent

By: Cheryl J. Carangelo

Title: Vice President

EXHIBIT 10.8

PLEDGE AGREEMENT

PLEDGE AGREEMENT (as amended, modified or supplemented from time to time, this "Agreement"), dated as of April 1, 1999, made by each of the undersigned pledgors (each a "Pledgor" and, together with any other entity that becomes a pledgor hereunder pursuant to Section 25 hereof, the "Pledgors") to BANKERS TRUST COMPANY, as Collateral Agent (the "Pledgee"), for the benefit of the Secured Creditors (as defined below). Except as otherwise defined herein, capitalized terms used herein and defined in the Credit Agreement (as defined below) shall be used herein as therein defined.

WITNESSETH:

WHEREAS, RC Transaction Corp. ("Holdings"), RCLLC Acquisition Corp. (the "Borrower", which term shall mean Resources Connection LCC from and after the consummation of the Merger), Re:sources Connection LLC, the lenders from time to time party thereto (the "Lenders"), U.S. Bank National Association, as Documentation Agent, BankBoston, N.A., as Syndication Agent, and Bankers Trust Company, as Administrative Agent and Lead Arranger (together with any successor administrative agent, the "Administrative Agent"), have entered into a Credit Agreement, dated as of April 1, 1999 (as amended, modified or supplemented from time to time, the "Credit Agreement"), providing for the making of Loans to, and the issuance of Letters of Credit for the account of, the borrower as contemplated therein (the Lenders, the Administrative Agent, the Documentation Agent, the Syndication Agent, the Issuing Lender and the Pledgee are herein called the "Lender Creditors");

WHEREAS, the Borrower may at any time and from time to time enter into one or more Interest Rate Protection Agreements or Other Hedging Agreements with one or more Lenders or any affiliate thereof (each such Lender or affiliate, even if the respective Lender subsequently ceases to be a Lender under the Credit Agreement for any reason, together with such Lender's or affiliate's successors and assigns, if any, collectively, the "Other Creditors," and together with the Lender Creditors, the "Secured Creditors");

WHEREAS, pursuant to the Holdings Guaranty, Holdings has unconditionally guaranteed to the Secured Creditors the payment when due of all Guaranteed Obligations as described therein;

WHEREAS, pursuant to the Subsidiaries Guaranty, each Subsidiary Guarantor has jointly and severally guaranteed to the Secured Creditors the payment when due of all Guaranteed Obligations as described therein;

WHEREAS, it is a condition to the making of Loans to, and the issuance of Letters of Credit for the account of, the Borrower under the Credit Agreement that each Pledgor shall have executed and delivered to the Pledgee this Agreement; and

WHEREAS, each Pledgor desires to enter into this Agreement in order to satisfy the condition described in the preceding paragraph;

NOW, THEREFORE, in consideration of the foregoing and other benefits accruing to each Pledgor, the receipt and sufficiency of which are hereby acknowledged, each Pledgor hereby makes the following representations and warranties to the Pledgee for the benefit of the Secured Creditors and hereby covenants and agrees with the Pledgee for the benefit of the Secured Creditors as follows:

1. SECURITY FOR OBLIGATIONS. This Agreement is made by each Pledgor for the benefit of the Secured Creditors to secure:

(i) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and indebtedness (including, without limitation, indemnities, Fees and interest thereon) of such Pledgor to the Lender Creditors, whether now existing or hereafter incurred under, arising out of, or in connection with the Credit Agreement and the other Credit Documents to which such Pledgor is a party (including all such obligations and indebtedness of such Pledgor under any Guaranty to which it is a party) and the due performance and compliance by such Pledgor with all of the terms, conditions and agreements contained in the Credit Agreement and in such other Credit Documents (all such obligations and liabilities under this clause (i), except to the extent consisting of obligations or indebtedness with respect to Interest Rate Protection Agreements or Other Hedging Agreements, being herein collectively called the "Credit Document Obligations");

(ii) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and liabilities owing by such Pledgor to the Other Creditors under, or with respect to (including by reason of any Guaranty to which it is a party), any Interest Rate Protection Agreement and Other Hedging Agreement, whether such Interest Rate Protection Agreement or Other Hedging Agreement is now in existence or hereafter arising, and the due performance and compliance by such Pledgor with all of the terms, conditions and agreements contained therein (all such obligations and liabilities described in this clause (ii) being herein collectively called the "Other Obligations");

(iii) any and all sums advanced by the Pledgee in order to preserve the Collateral (as hereinafter defined) or preserve its security interest in the Collateral;

(iv) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations or liabilities of such Pledgor referred to in clauses (i), (ii) and (iii) above, after an Event of Default (which term to mean and include any Event of Default under, and as defined in, the Credit Agreement or any payment default by the Borrower under any Interest Rate Protection Agreement or Other Hedging Agreement and shall, in any event, include, without limitation, any payment default on any of the Obligations (as hereinafter defined) shall have occurred and be continuing, the reasonable expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of

or realizing on the Collateral, or of any exercise by the Pledgee of its rights hereunder, together with reasonable attorneys' fees and court costs; and

(v) all amounts paid by any Secured Creditor as to which such Secured Creditor has the right to reimbursement under Section 11 of this Agreement;

all such obligations, liabilities, sums and expenses set forth in clauses (i) through (v) of this Section I being herein collectively called the "Obligations," it being acknowledged and agreed that the "Obligations" shall include extensions of credit of the types described above, whether outstanding on the date of this Agreement or extended from time to time after the date of this Agreement.

2. DEFINITIONS. (a) Unless otherwise defined herein, all capitalized terms used herein and defined in the Credit Agreement shall be used herein as therein defined. Reference to singular terms shall include the plural and vice versa.

(b) The following capitalized terms used herein shall have the definitions specified below:

"Administrative Agent" has the meaning set forth in the Recitals hereto.

"Adverse Claim" has the meaning given such term in Section 8-102(a)(1) of the UCC.

"Agreement" has the meaning set forth in the first paragraph hereof.

"Certificated Security" has the meaning given such term in Section 8-102(a)(4) of the UCC.

"Clearing Corporation" has the meaning given such term in Section 8-102(a)(5) of the UCC.

"Collateral" has the meaning set forth in Section 3.1 hereof

"Collateral Accounts" means any and all accounts established and maintained by the Pledgee in the name of any Pledgor to which Collateral may be credited.

" Credit Agreement" has the meaning set forth in the Recitals hereto.

"Credit Document Obligations" has the meaning set forth in Section 1 hereof.

"Documentation Agent" has the meaning set forth in the Recitals hereto.

"Domestic Corporation" has the meaning set forth in the definition of "Stock."

"Event of Default" has the meaning set forth in Section 1 hereof.

"Financial Asset" has the meaning given such term in Section 8-102(a)(9) of the UCC.

"Foreign Corporation" has the meaning set forth in the definition of "Stock."

"Indemnitees" has the meaning set forth in Section 11 hereof.

"Instrument" has the meaning given such term in Section 9-105(l)(i) of the UCC.

"Investment Property" has the meaning given such term in Section 9-115(f) of the UCC.

"Lender Creditors" has the meaning set forth in the Recitals hereto.

"Lenders" has the meaning set forth in the Recitals hereto.

"Limited Liability Company Assets" means all assets, whether tangible or intangible and whether real, personal or mixed (including, without limitation, all limited liability company capital and interest in other limited liability companies), at any time owned or represented by any Limited Liability Company Interest.

"Limited Liability Company Interests" means the entire limited liability company membership interest at any time owned by any Pledgor in any limited liability company.

"Non-Voting Stock" means all capital stock which is not Voting Stock.

"Notes" means (x) all Intercompany Notes at any time issued to each Pledgor and (y) all other promissory notes from time to time issued to, or held by, each Pledgor.

"Obligations" has the meaning set forth in Section 1 hereof.

"Other Creditors" has the meaning shall et forth in the Recitals hereto.

"Other Obligations" has the meaning set forth in Section 1 hereof.

"Partnership Assets" means all assets, whether tangible or intangible and whether real, personal or mixed (including, without limitation, all partnership capital and interest in other partnerships), at any time owned or represented by any Partnership Interest.

"Partnership Interest" means the entire general partnership interest or limited partnership interest at any time owned by any Pledgor in any general partnership or limited partnership.

"Pledged Notes" the meaning set forth in Section 3.5 hereof.

"Pledgee" has the meaning set forth in the first paragraph hereof.

"Pledgor" has the meaning set forth in the first paragraph hereof.

"Proceeds" has the meaning given such term in Section 9-306(1) of the UCC.

"Required Lenders" has the meaning given such term in the Credit Agreement.

"Secured Creditors" has the meaning set forth in the Recitals hereto.

"Secured Debt Agreements" has the meaning set forth in Section 5 hereof

"Securities Account" has the meaning given such term in Section 8-501(a) of the UCC.

"Securities Act" means the Securities Act of 1933, as amended, as in effect from time to time.

"Security" and Securities" has the meaning given such term in Section 8-102(a)(1-5) of the UCC and shall in any event include all Stock and Notes (to the extent same constitute "Securities" under Section 8-102(a)(15)).

"Security Entitlement" has the meaning given such term in Section 8-102(a)(17) of the UCC.

"Stock" means (x) with respect to corporations incorporated under the laws of the United States or any State or territory thereof (each a "Domestic Corporation"), all of the issued and outstanding shares of capital stock of any corporation at any time owned by any Pledgor of any Domestic Corporation and (y) with respect to corporations not Domestic Corporations (each a "Foreign Corporation"), all of the issued and outstanding shares of capital stock at any time owned by any Pledgor of any Foreign Corporation.

"Syndication Agent" has the meaning set forth in the Recitals hereto.

"Termination Date" has the meaning set forth in Section 20 hereof

"UCC" means the Uniform Commercial Code as in effect in the State of New York from time to time; provided that all references herein to specific sections or subsections of the UCC are references to such sections or subsections, as the case may be, of the Uniform Commercial Code as in effect in the State of New York on the date hereof

"Uncertificated Security" has the meaning given such term in Section 8-102(a)(18) of the UCC.

"Voting Stock" means all classes of capital stock of any Foreign Corporation entitled to vote.

3. PLEDGE OF SECURITIES, ETC.

3.1 Pledge. To secure the Obligations now or hereafter owed or to be performed by such Pledgor, each Pledgor does hereby grant, pledge and as sign to the Pledgee for the benefit of the Secured Creditors, and does hereby create a continuing security interest in favor of the

Pledgee for the benefit of the Secured Creditors in, all of the right, title and interest in and to the following, whether now existing or hereafter from time to time acquired (collectively, the "Collateral"):

(a) each of the Collateral Accounts, including any and all assets of whatever type or kind deposited by such Pledgor in such Collateral Account, whether now owned or hereafter acquired, existing or arising, including, without limitation, all Financial Assets, Investment Property, moneys, checks, drafts, Instruments, Securities or interests therein of any type or nature deposited or required by the Credit Agreement or any other Secured Debt Agreement to be deposited in such Collateral Account, and all investments and all certificates and other Instruments (including depository receipts, if any) from time to time representing or evidencing the same, and all dividends, interest, distributions, cash and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing;

(b) all Securities owned by such Pledgor from time to time;

(c) all Limited Liability Company Interests owned by such Pledgor from time to time and all of its right, title and interest in each limited liability company to which each such interest relates, whether now existing or hereafter acquired, including, without limitation:

(A) all the capital thereof and its interest in all profits, losses, Limited Liability Company Assets and other distributions to which such Pledgor shall at any time be entitled in respect of such Limited Liability Company Interests;

(B) all other payments due or to become due to such Pledgor in respect of Limited Liability Company Interests, whether under any limited liability company agreement, operating agreement or otherwise, whether as contractual obligations, damages, insurance proceeds or otherwise;

(C) all of its claims, rights, powers, privileges, authority, options, security interests, liens and remedies, if any, under any limited liability company agreement or operating agreement, or at law or otherwise in respect of such Limited Liability Company Interests;

(D) all present and future claims, if any, of such Pledgor against any such limited liability company for moneys loaned or advanced, for services rendered or otherwise;

(E) all of such Pledgor's rights under any limited liability company agreement or operating agreement or at law to exercise and enforce every right, power, remedy, authority, option and privilege of such Pledgor relating to such Limited Liability Company Interests, including any power to terminate, cancel or modify any limited liability company agreement or operating agreement, to execute any instruments and to take any and all other action on behalf of and in the name of

any of such Pledgor in respect of such Limited Liability Company Interests and any such limited liability company, to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, amendment, waiver or approval, together with full power and authority to demand, receive, enforce, collect or receipt for any of the foregoing or for any Limited Liability Company Asset, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action in connection with any of the foregoing (and with all of the foregoing rights only to be exercisable upon the occurrence and during the continuation of an Event of Default); and

(F) all other property hereafter delivered in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof,

(d) all Partnership Interests owned by such Pledgor from time to time and all of its right, title and interest in each partnership to which each such interest relates, whether now existing or hereafter acquired, including, without limitation:

(A) all the capital thereof and its interest in all profits, losses, Partnership Assets and other distributions to which such Pledgor shall at any time be entitled in respect of such Partnership Interests;

(B) all other payments due or to become due to such Pledgor in respect of Partnership Interests, whether under any partnership agreement or otherwise, whether as contractual obligations, damages, insurance proceeds or otherwise;

(C) all of its claims, rights, powers, privileges, authority, options, security interests, liens and remedies, if any, under any partnership agreement, or at law or otherwise in respect of such Partnership Interests;

(D) all present and future claims, if any, of such Pledgor against any such partnership for moneys loaned or advanced, for services rendered or otherwise;

(E) all of such Pledgor's rights under any partnership agreement or at law to exercise and enforce every right, power, remedy, authority, option and privilege of such Pledgor relating to such Partnership Interests, including any power to terminate, cancel or modify any partnership agreement, to execute any instruments and to take any and all other action on behalf of and in the name of any of such Pledgor in respect of such Partnership Interests and any such partnership, to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, amendment, waiver or approval, together with full power and authority to demand,

receive, enforce, collect or receipt for any of the foregoing or for any Partnership Asset, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action in connection with any of the foregoing (with all of the foregoing rights only to be exercisable upon the occurrence and during the continuation of an Event of Default); and

(F) all other property hereafter delivered in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such other property and all cash, securities, interest, dividends, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof,

(e) all Security Entitlements owned by such Pledgor from time to time in any and all of the foregoing;

(f) all Financial Assets and Investment Property owned by such Pledgor from time to time; and

(g) all Proceeds of any and all of the foregoing; provided
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however, that (x) in the case of any limited liability company
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agreement, operating agreement or partnership agreement with respect to any Person that is not a Subsidiary of any Pledgor that would otherwise be included in the Collateral, no security interest in the right, title and interest of any Pledgor thereunder or therein (except to receive payments for money due under such agreements) will be granted pursuant to this Section 3 (and such limited liability company agreements, operating agreements and partnership agreements shall not be deemed to constitute a part of the Collateral) for so long as, and to the extent that, the granting of a security interest in the right, title and interest of such Pledgor thereunder or therein pursuant to the terms hereof would result in a breach, default or termination of such limited liability company agreements, operating agreements or partnership agreements.

Notwithstanding anything to the contrary contained in this Section 3. 1, (x) except as otherwise provided in Section 8.16 of the Credit Agreement, no Pledgor (to the extent that it is the Borrower or a Domestic Subsidiary of the Borrower) shall be required at any time to pledge hereunder more than 65% of the Voting Stock of any Foreign Corporation and (y) each Pledgor shall be required to pledge hereunder 100% of any Non-Voting Stock at any time and from time to time acquired by such Pledgor of any Foreign Corporation.

3.2 Procedures. (a) To the extent that any Pledgor at any time or
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from time to time owns, acquires or obtains any right, title or interest in any Collateral, such Collateral shall automatically (and without the taking of any action by the respective Pledgor) be pledged pursuant to Section 3.1 of this Agreement and, in addition thereto, such Pledgor shall (to the extent provided below) take the following actions as set forth below (as promptly as practicable and, in any event, within 10 days after it obtains such Collateral) for the benefit of the Pledgee and the Secured Creditors:

(i) with respect to a Certificated Security (other than a Certificated Security credited on the books of a Clearing Corporation), the respective Pledgor shall physically deliver such Certificated Security to the Pledgee, indorsed to the Pledgee or indorsed in blank;

(ii) with respect to an Uncertificated Security (other than an Uncertificated Security credited on the books of a Clearing Corporation), the respective Pledgor shall cause the issuer of such Uncertificated Security (or, in the case of an issuer which is not a Subsidiary of a Pledgor, such Pledgor shall use its reasonable best efforts to cause such issuer) to duly authorize and execute, and deliver to the Pledgee, an agreement for the benefit of the Pledgee and the Secured Creditors substantially in the form of Annex G hereto (appropriately completed to the satisfaction of the Pledgee and with such modifications, if any, as shall be satisfactory to the Pledgee) pursuant to which such issuer agrees to comply with any and all instructions originated by the Pledgee without further consent by the registered owner and not to comply with instructions regarding such Uncertificated Security (and any Partnership Interests and Limited Liability Company Interests issued by such issuer) originated by any other Person other than a court of competent jurisdiction;

(iii) with respect to a Certificated Security, Uncertificated Security, Partnership Interest or Limited Liability Company Interest credited on the books of a Clearing Corporation (including a Federal Reserve Bank, Participants Trust Company or The Depository Trust Company), the respective Pledgor shall promptly notify the Pledgee thereof and shall promptly take all actions required (i) to comply with the applicable rules of such Clearing Corporation and (ii) to perfect the security interest of the Pledgee under applicable law (including, in any event, under Sections 9-115 (4)(a) and (b), 9-115 (1)(e) and 8-106 (d) of the UCC). The Pledgor further agrees to take such actions as the Pledgee deems necessary or desirable to effect the foregoing;

(iv) with respect to a Partnership Interest or a Limited Liability Company Interest (other than a Partnership Interest or Limited Liability Interest credited on the books of a Clearing Corporation), (1) if such Partnership Interest or Limited Liability Company Interest is represented by a certificate, the procedure set forth in Section 3.2(a)(i) hereof, and (2) if such Partnership Interest or Limited Liability Company Interest is not represented by a certificate, the procedure set forth in Section 3.2(a)(ii) hereof;

(v) with respect to any Note, physical delivery of such Note to the Pledgee, indorsed to the Pledgee or indorsed in blank; and

(vi) with respect to cash (except as otherwise permitted to be retained by a Pledgor pursuant to Section 6 hereof), (i) establishment by the Pledgee of a cash account in the name of such Pledgor over which the Pledgee shall have exclusive and absolute control and dominion (and no withdrawals or transfers may be made therefrom by any Person except with the prior written consent of the Pledgee) and (ii) deposit of such cash in such cash account.

(b) In addition to the actions required to be taken pursuant to proceeding Section 3.2(a) hereof, each Pledgor shall take the following additional actions with respect to the Securities and Collateral):

(i) with respect to all Collateral of such Pledgor whereby or with respect to which the Pledgee may obtain "control" thereof within the meaning of Section 8-106 of the UCC (or under any provision of the UCC as same may be amended or supplemented from time to time, or under the laws of any relevant State other than the State of New York), the respective Pledgor shall take all actions as may be requested from time to time by the Pledgee so that "control" of such Collateral is obtained and at all times held by the Pledgee; and

(ii) each Pledgor shall from time to time cause appropriate financing statements (on Form UCC-1 or other appropriate form) under the Uniform Commercial Code as in effect in the various relevant States, on form covering all Collateral hereunder (with the form of such financing statements to be satisfactory to the Pledgee), to be filed in the relevant filing offices so that at all times the Pledgee has a security interest in all Investment Property and other Collateral which is perfected by the filing of such financing statements (in each case to the maximum extent perfection by filing may be obtained under the laws of the relevant States, including, without limitation, Section 9-115(4)(b) of the UCC).

3.3 Subsequently Acquired Collateral. If any Pledgor shall acquire (by purchase, stock dividend or otherwise) any additional Collateral at any time or from time to time after the date hereof, such Collateral shall automatically (and without any further action being required to be taken) be subject to the pledge and security interests created pursuant to Section 3.1 hereof and, furthermore, the Pledgor will promptly thereafter take (or cause to be taken) all action with respect to such Collateral in accordance with the procedures set forth in Section 3.2 hereof, and will promptly thereafter deliver to the Pledgee (i) a certificate executed by a principal executive officer of such Pledgor describing such Collateral and certifying that the same has been duly pledged in favor of the Pledgee (for the benefit of the Secured Creditors) hereunder and (ii) supplements to Annexes A through F hereto as are necessary to cause such annexes to be complete and accurate at such time. Without limiting the foregoing, each Pledgor shall be required to pledge hereunder any shares of stock at any time and from time to time after the date hereof acquired by such Pledgor of any Foreign Corporation, provided that (x) except as provided in Section 8.16 of the Credit Agreement, no Pledgor (to the extent that it is the Borrower or a Domestic Subsidiary of the Borrower) shall be required at any time to pledge hereunder more than 65% of the Voting Stock of any Foreign Corporation and (y) each Pledgor shall be required to pledge hereunder 100% of any Non-Voting Stock at any time and from time to time acquired by such Pledgor of any Foreign Corporation.

3.4 Transfer Taxes. Each pledge of Collateral under Section 3.1 or Section 3.3 hereof shall be accompanied by any transfer tax stamps required in connection with the pledge of such Collateral.

3.5 Definition of Pledged Notes. All Notes at any time pledged or required to be pledged hereunder are hereinafter called the "Pledged Notes".

3.6 Certain Representations and Warranties Regarding the Collateral. Each Pledgor represents and warrants that on the date hereof (i) each Subsidiary of such Pledgor, and the direct ownership thereof, is listed in Annex A hereto; (ii) the Stock held by such Pledgor consists of the number and type of shares of the stock of the corporations as described in Annex B hereto; (iii) such Stock constitutes that percentage of the issued and outstanding capital stock of the issuing corporation as is set forth in Annex B hereto; (iv) the Notes held by such Pledgor consist of the promissory notes described in Annex C hereto where such Pledgor is listed as the lender; (v) the Limited Liability Company Interests held by such Pledgor consist of the number and type of interests of the Persons described in Annex D hereto; (vi) each such Limited Liability Company Interest constitutes that percentage of the issued and outstanding equity interest of the issuing Person as set forth in Annex D hereto; (vii) the Partnership Interests held by such Pledgor consist of the number and type of interests of the Persons described in Annex E hereto; (viii) each such Partnership Interest constitutes that percentage or portion of the entire partnership interest of the Partnership as set forth in Annex E hereto; (ix) the Pledgor has complied with the respective procedure set forth in Section 3.2(a) hereof with respect to each itern of Collateral described in Annexes A through E hereto; and (x) on the date hereof, such Pledgor owns no other Securities, Limited Liability Company Interests or Partnership Interests.

4. APPOINTMENT OF SUB-AGENTS; ENDORSEMENTS, ETC. If and to the extent necessary to enable the Pledgee to perfect its security interest in any of the Collateral or to exercise any of its remedies hereunder, the Pledgee shall have the right, subject to the consent of the Pledgor (which consent will not be unreasonably withheld but, will not otherwise be required if an Event of Default of the type described in Section 10.05 of the Credit Agreement has occurred), to appoint one or more sub-agents for the purpose of retaining physical possession of the Collateral, which may be held (in the discretion of the Pledgee) in the name of the relevant Pledgor, endorsed or assigned in blank or in favor of the Pledgee or any nominee or nominees of the Pledgee or a sub-agent appointed by the Pledgee, and the Pledgee agrees to give such Pledgor prompt notice of any such appointment.

5. VOTING, ETC., WHILE NO EVENT OF DEFAULT. Unless and until there shall have occurred and be continuing an Event of Default, each Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Collateral owned by it, and to give consents, waivers or ratifications in respect thereof; provided, that, in each case, no vote shall be cast or any consent, waiver or ratification given or any action taken or omitted to be taken which would violate or be inconsistent with any of the terms of Agreement, the Credit Agreement, any other Credit Document or any Interest Rate Protection Agreement or Other Hedging Agreement (collectively, the "Secured Debt Agreements"), or which would have the effect of impairing the value of the Collateral or any part thereof or the position or interests of the Pledgee or any other Secured Creditor in the Collateral. All such rights of each Pledgor to vote and to give consents, waivers and ratifications shall cease in case an Event of Default has occurred and is continuing, and Section 7 hereof shall become applicable.

6. DIVIDENDS AND OTHER DISTRIBUTIONS. Unless and until there shall have occurred and be continuing an Event of Default, all cash dividends, cash distributions, cash Proceeds and other cash amounts payable in respect of the Collateral shall be paid to the respective Pledgor. Subject to the preceding sentence, the Pledgee shall be entitled to receive directly, and to retain as part of the Collateral:

(i) all other or additional stock, notes, limited liability company interests, partnership interests, instruments or other securities or property paid or distributed by way of dividend or otherwise in respect of the Collateral;

(ii) all other or additional stock, notes, limited liability company interests, partnership interests, instruments or other securities or property paid or distributed in respect of the Collateral by way of stock-split, spin-off, split-up, reclassification, combination of shares or similar rearrangement; and

(iii) all other or additional stock, notes, limited liability company interests, partnership interests, instruments or other securities or property which may be paid in respect of the Collateral by reason of any consolidation, merger, exchange of stock, conveyance of assets, liquidation or similar corporate reorganization.

Nothing contained in this Section 6 shall limit or restrict in any way the Pledgee's right to receive proceeds of the Collateral in any form in accordance with Section 3 of this Agreement. All dividends, distributions or other payments which are received by any Pledgor contrary to the provisions of this Section 6 and Section 7 hereof shall be received in trust for the benefit of the Pledgee, shall be segregated from other property or funds of such Pledgor and shall be forthwith paid over to the Pledgee as Collateral in the same form as so received (with any necessary endorsement).

7. REMEDIES IN CASE OF DEFAULT OR EVENT OF DEFAULT. If there shall have occurred and be continuing an Event of Default, then and in every such case, the Pledgee shall be entitled to exercise all of the rights, powers and remedies (whether vested in it by this Agreement, any other Secured Debt Agreement or by law) for the protection and enforcement of its rights in respect of the Collateral, and the Pledgee shall be entitled to exercise all the rights and remedies of a secured party under the Uniform Commercial Code as in effect in any relevant jurisdiction and also shall be entitled, without limitation, to exercise the following rights, which each Pledgor hereby agrees to be commercially reasonable:

(i) to receive all amounts payable in respect of the Collateral otherwise payable under Section 6 hereof to the respective Pledgor;

(ii) to transfer all or any part of the Collateral into the Pledgee's name or the name of its nominee or nominees;

(iii) to accelerate any Pledged Note which may be accelerated in accordance with its terms, and take any other lawful action to collect upon any Pledged Note (including, without limitation, to make any demand for payment thereon);

(iv) to vote all or any part of the Collateral (whether or not transferred into the name of the Pledgee) and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof (each Pledgor hereby irrevocably constituting and appointing the Pledgee the proxy and attorney-in-fact of such Pledgor, with full power of substitution to do so);

(v) at any time and from time to time to sell, assign and deliver, or grant options to purchase, all or any part of the Collateral, or any interest therein, at any public or private sale, without demand of performance, advertisement or notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise (all of which are hereby waived by each Pledgor), for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Pledgee in its absolute discretion may determine, provided that at least 10 days' written
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notice of the time and place of any such sale shall be given to the respective Pledgor. The Pledgee shall not be obligated to make any such sale of Collateral regardless of whether any such notice of sale has theretofore been given. Each Pledgor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Pledgee on behalf of the Secured Creditors may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Pledgee nor any other Secured Creditor shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall any of them be under any obligation to take any action whatsoever with regard thereto; and

(vi) to set-off any and all Collateral against any and all Obligations, and to withdraw any and all cash or other Collateral from any and all Collateral Accounts and to apply such cash and other Collateral to the payment of any and all Obligations.

8. REMEDIES, ETC., CUMULATIVE. Each and every right, power and remedy of the Pledgee provided for in this Agreement or in any other Secured Debt Agreement, or now or hereafter existing at law or in equity or by statute shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by the Pledgee or any other Secured Creditor of any one or more of the rights, powers or remedies provided for in this Agreement or any other Secured Debt Agreement or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Pledgee or any other Secured Creditor of all such other rights, powers or remedies, and no failure or delay on the part of the Pledgee or any other Secured Creditor to exercise any such right, power or remedy shall operate as a waiver thereof. No notice to or demand on any Pledgor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Pledgee or any other Secured Creditor to any other or further action in any circumstances without notice or demand. The Secured Creditors agree that this Agreement may be enforced only by the action of the Administrative Agent or the Pledgee, in each case acting upon the instructions of the Required Lenders (or, after the date on which all Credit Document Obligations have been paid in full, the

holders of at least the majority of the outstanding Other Obligations) and that no other Secured Creditor shall have any right individually to seek to enforce or to enforce this Agreement or to realize upon the security to be granted hereby, it being understood and agreed that such rights and remedies may be exercised by the Administrative Agent or the Pledgee or the holders of at least a majority of the outstanding Other Obligations, as the case may be, for the benefit of the Secured Creditors upon the terms of this Agreement.

9. APPLICATION OF PROCEEDS. (a) All monies collected by the Pledgee upon any sale or other disposition of the Collateral pursuant to the terms of this Agreement, together with all other monies received by the Pledgee hereunder, shall be applied in the manner provided in the Security Agreement.

(b) It is understood and agreed that the Pledgors shall remain jointly and severally liable to the extent of any deficiency between the amount of the proceeds of the Collateral hereunder and the aggregate amount of the Obligations.

10. PURCHASERS OF COLLATERAL. Upon any sale of the Collateral by the Pledgee hereunder (whether by virtue of the power of sale herein granted, pursuant to judicial process or otherwise), the receipt of the Pledgee or the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold, and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Pledgee or such officer or be answerable in any way for the misapplication or nonapplication thereof.

11. INDEMNITY. Each Pledgor jointly and severally agrees (i) to indemnify and hold harmless the Pledgee and each other Secured Creditor and their respective successors, assigns, employees, agents, affiliates and servants (individually an "Indemnitee," and collectively the "Indemnitees") from and against any and all claims, demands, losses, judgments and liabilities (including liabilities for penalties) of whatsoever kind or nature, and (ii) to reimburse each Indemnitee for all reasonable out-of-pocket costs and expenses, including reasonable attorneys' fees and costs and disbursements, in each case growing out of or resulting from this Agreement or the exercise by any Indemnitee of any right or remedy granted to it hereunder or under any other Secured Debt Agreement (but excluding any claims, demands, losses, judgments and liabilities or expenses to the extent incurred by reason of gross negligence or willful misconduct of such Indemnitee (as finally determined by a court of competent jurisdiction)). In no event shall the Pledgee be liable, in the absence of gross negligence or willful misconduct on its part, for any matter or thing in connection with this Agreement other than to account for monies actually received by it in accordance with the terms hereof. If and to the extent that the obligations of any Pledgor under this Section 11 are unenforceable for any reason, such Pledgor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

12. PLEDGEE NOT A PARTNER OR LIMITED LIABILITY COMPANY MEMBER. (a) Nothing herein shall be construed to make the Pledgee or any other Secured Creditor liable as a member of any limited liability company or as a partner of any partnership and neither the Pledgee nor any other Secured Creditor by virtue of this Agreement or otherwise

(except as referred to in the following sentence) shall have any of the duties, obligations or liabilities of a member of any limited liability company or partnership. The parties hereto expressly agree that, unless the Pledgee shall become the absolute owner of Collateral consisting of a Limited Liability Company Interest or Partnership Interest pursuant hereto, this Agreement shall not be construed as creating a partnership or joint venture among the Pledgee, any other Secured Creditor and/or any Pledgor.

(b) Except as provided in the last sentence of paragraph (a) of this Section 12, the Pledgee, by accepting this Agreement, did not intend to become a member of any limited liability company or a partner of any partnership or otherwise be deemed to be a co-venturer with respect to any Pledgor or any limited liability company or partnership either before or after an Event of Default shall have occurred. The Pledgee shall have only those powers set forth herein and the Secured Creditors shall assume none of the duties, obligations or liabilities of a member of any limited liability company or as a partner of any partnership or any Pledgor except as provided in the last sentence of paragraph (a) of this Section 12.

(c) The Pledgee and the other Secured Creditors shall not be obligated to perform or discharge any obligation of any Pledgor as a result of the pledge hereby effected.

(d) The acceptance by the Pledgee of this Agreement, with all the rights, powers, privileges and authority so created, shall not at any time or in any event obligate the Pledgee or any other Secured Creditor to appear in or defend any action or proceeding relating to the Collateral to which it is not a party, or to take any action hereunder or thereunder, or to expend any money or incur any expenses or perform or discharge any obligation, duty or liability under the Collateral.

13. FURTHER ASSURANCES; POWER-OF-ATTORNEY. (a) Each Pledgor agrees that it will join with the Pledgee in executing and, at such Pledgor's own expense, file and refile under the Uniform Commercial Code or other applicable law such financing statements, continuation statements and other documents in such offices as the Pledgee may reasonably deem necessary and wherever required by law in order to perfect and preserve the Pledgee's security interest in the Collateral and hereby authorizes the Pledgee to file financing statements and amendments thereto relative to all or any part of the Collateral without the signature of such Pledgor where permitted by law, and agrees to do such further acts and things and to execute and deliver to the Pledgee such additional conveyances, assignments, agreements and instruments as the Pledgee may reasonably require or deem necessary to carry into effect the purposes of this Agreement or to further assure and confirm unto the Pledgee its rights, powers and remedies hereunder.

(b) Each Pledgor hereby appoints the Pledgee such Pledgor's attorney-in-fact, with full authority in the place and stead of such Pledgor and in the name of such Pledgor or otherwise, to act from time to time solely after the occurrence and during the continuance of an Event of Default in the Pledgee's reasonable discretion to take any action and to execute any instrument which the Pledgee may reasonably deem necessary or advisable to accomplish the purposes of this Agreement.

14. THE PLEDGEE AS AGENT. The Pledgee will hold in accordance with this Agreement all items of the Collateral at any time received under this Agreement. It is expressly understood and agreed by each Secured Creditor that by accepting the benefits of this Agreement each such Secured Creditor acknowledges and agrees that the obligations of the Pledgee as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement. The Pledgee shall act hereunder on the terms and conditions set forth herein and in Section 12 of the Credit Agreement.

15. TRANSFER BY THE PLEDGORS. No Pledgor will sell or otherwise dispose of, grant any option with respect to, or mortgage, pledge or otherwise encumber any of the Collateral or any interest therein (except as may be permitted in accordance with the terms of the Credit Agreement).

16. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PLEDGORS. (a) Each Pledgor represents, warrants and covenants that:

(i) it is the legal, beneficial and record owner of, and has good and marketable title to, all Collateral consisting of one or more Securities and that it has sufficient interest in all Collateral in which a security interest is purported to be created hereunder for such security interest to attach (subject, in each case, to no pledge, lien, mortgage, hypothecation, security interest, charge, option, Adverse Claim or other encumbrance whatsoever, except the liens and security interests created by this Agreement);

(ii) it has full power, authority and legal right to pledge all the Collateral pledged by it pursuant to this Agreement;

(iii) this Agreement has been duly authorized, executed and delivered by such Pledgor and constitutes a legal, valid and binding obligation of such Pledgor enforceable against such Pledgor in accordance with its terms, except to the extent that the enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law);

(iv) except to the extent already obtained or made, no consent of any other party (including, without limitation, any stockholder or creditor of such Pledgor or any of its Subsidiaries) and no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required to be obtained by such Pledgor in connection with (a) the execution, delivery or performance of this Agreement, (b) the validity or enforceability of this Agreement (except as set forth in clause (iii) above), (c) the perfection or enforceability of the Pledgee's security interest in the Collateral or (d) except for compliance with or as may be required by applicable securities laws, the exercise by the Pledgee of any of its rights or remedies provided herein;

(v) the execution, delivery and performance of this Agreement will not violate any provision of any applicable law or regulation or of any order, judgment, writ, award or

decree of any court, arbitrator or governmental authority, domestic or foreign, applicable to such Pledgor, or of the certificate of incorporation, operating agreement, limited liability company agreement, partnership agreement or by-laws of such Pledgor or of any securities issued by such Pledgor or any of its Subsidiaries, or of any mortgage, deed of trust, indenture, lease, loan agreement, credit agreement or other material contract, agreement or instrument or undertaking to which such Pledgor or any of its Subsidiaries is a party or which purports to be binding upon such Pledgor or any of its Subsidiaries or upon any of their respective assets and will not result in the creation or imposition of (or the obligation to create or impose) any lien or encumbrance on any of the assets of such Pledgor or any of its Subsidiaries except as contemplated by this Agreement;

(vi) all of the Collateral (consisting of Securities, Limited Liability Company Interests or Partnership Interests) has been duly and validly issued and acquired, is fully paid and non-assessable and is subject to no options to purchase or similar rights;

(vii) each of the Pledged Notes constitutes, or when executed by the obligor thereof will constitute, the legal, valid and binding obligation of such obligor, enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law); and

(viii) the pledge, collateral assignment and delivery to the Pledgee of the Collateral consisting of Certificated Securities pursuant to this Agreement creates a valid and perfected first priority security interest in such Certificated Securities, and the proceeds thereof, subject to no prior Lien or encumbrance or to any agreement purporting to grant to any third party a Lien or encumbrance on the property or assets of such Pledgor which would include the Securities and the Pledgee is entitled to all the rights, priorities and benefits afforded by the UCC or other relevant law as enacted in any relevant jurisdiction to perfect security interests in respect of such Collateral; and

(ix) "control" (as defined in Section 8-106 of the UCC) has been obtained by the Pledgee over all Collateral consisting of Securities (including Notes which are Securities) with respect to which such "control" may be obtained pursuant to Section 8-106 of the UCC.

(b) Each Pledgor covenants and agrees that it will defend the Pledgee's right, title and security interest in and to the Securities and the proceeds thereof against the claims and demands of all persons whomsoever.

(c) Each Pledgor covenants and agrees that it will take no action which would violate any of the terms of any Secured Debt Agreement.

17. CHIEF EXECUTIVE OFFICE; RECORDS. The chief executive office of each Pledgor is located at the address specified in Annex F hereto. Each Pledgor will not move its chief executive office except to such new location as such Pledgor may establish in accordance

with the last sentence of this Section 17. No Pledgor shall establish a new location for such offices until (i) it shall have given to the Pledgee not less than 15 days' prior written notice of its intention so to do, clearly describing such new location and providing such other information in connection therewith as the Pledgee may reasonably request and (ii) with respect to such new location, it shall have taken all action, satisfactory to the Pledgee, to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect. Promptly after establishing a new location for such offices in accordance with the immediately preceding sentence, the respective Pledgor shall deliver to the Pledgee a supplement to Annex F hereto so as to cause such Annex F hereto to be complete and accurate.

18. PLEDGORS' OBLIGATIONS ABSOLUTE, ETC. The obligations of each Pledgor under this Agreement shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (i) any renewal, extension, amendment or modification of or addition or supplement to or deletion from any Secured Debt Agreement or any other instrument or agreement referred to therein, or any assignment or transfer of any thereof; (ii) any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such agreement or instrument including, without limitation, this Agreement; (iii) any furnishing of any additional security to the Pledgee or its assignee or any acceptance thereof or any release of any security by the Pledgee or its assignee; (iv) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof; or (v) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to any Pledgor or any Subsidiary of any Pledgor, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not such Pledgor shall have notice or knowledge of any of the foregoing.

19. REGISTRATION, ETC. (a) If there shall have occurred and be continuing an Event of Default then, and in every such case, upon receipt by any Pledgor from the Pledgee of a written request or requests that such Pledgor cause any registration, qualification or compliance under any Federal or state securities law or laws to be effected with respect to all or any part of the Collateral consisting of Securities, Limited Liability Company Interests or Partnership Interests, such Pledgor as soon as practicable and at its expense will use its best efforts to cause such registration to be effected (and be kept effective) and will use its best efforts to cause such qualification and compliance to be declared effected (and be kept effective) as may be so requested and as would permit or facilitate the sale and distribution of such Collateral, including, without limitation, registration under the Securities Act, as then in effect (or any similar statute then in effect), appropriate qualifi cations under applicable blue sky or other state securities laws and appropriate compliance with any other government requirements, provided, that the Pledgee shall furnish to such Pledgor such information regarding the Pledgee as such Pledgor may reasonably request in writing and as shall be required in connection with any such registration, qualification or compliance. Such Pledgor will cause the Pledgee to be kept advised in writing as to the progress of each such registration, qualification or compliance and as to the completion thereof, will furnish to the Pledgee such number of prospectuses, offering circulars or other

documents incident thereto as the Pledgee from time to time may reasonably request, and will indemnify the Pledgee, each other Secured Creditor and all others participating in the distribution of such Collateral against all claims, losses, damages and liabilities caused by any untrue statement (or alleged untrue statement) of a material fact contained therein (or in any related registration statement, notification or the like) or by any omission (or alleged omission) to state therein (or in any related registration statement, notification or the like) a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same may have been caused by an untrue statement or omission based upon information furnished in writing to such Pledgor by the Pledgee or such other Secured Creditor expressly for use therein.

(b) If at any time when the Pledgee shall determine to exercise its right to sell all or any part of the Collateral consisting of Securities, Limited Liability Company Interests or Partnership Interests pursuant to Section 7 hereof, and the Collateral or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Securities Act, as then in effect, the Pledgee may, in its sole and absolute discretion, sell such Collateral, as the case may be, or part thereof by private sale in such manner and under such circumstances as the Pledgee may deem necessary or advisable in order that such sale may legally be effected without such registration. Without limiting the generality of the foregoing, in any such event the Pledgee, in its sole and absolute discretion (i) may proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Collateral or part thereof shall have been filed under such Securities Act, (ii) may approach and negotiate with a single possible purchaser to effect such sale, and (iii) may restrict such sale to a purchaser who will represent and agree that such purchaser is purchasing for its own account, for investment, and not with a view to the distribution or sale of such Collateral or part thereof. In the event of any such sale, the Pledgee shall incur no responsibility or liability for selling all or any part of the Collateral at a price which the Pledgee, in its sole and absolute discretion, in good faith deems reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might be realized if the sale were deferred until after registration as aforesaid.

20. TERMINATION; RELEASE. (a) After the Termination Date, this Agreement and the security interest created hereby shall terminate (provided that all indemnities set forth herein including, without limitation, in Section 11 hereof shall survive any such termination), and the Pledgee, at the request and expense of any Pledgor, will execute and deliver to such Pledgor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to such Pledgor (without recourse and without any representation or warranty) such of the Collateral as has not theretofore been sold or otherwise applied or released pursuant to this Agreement, together with any monies at the time held by the Pledgee or any of its sub-agents hereunder. As used in this Agreement, "Termination Date" shall mean the date upon which the Total Commitment and all Interest Rate Protection Agreements and Other Hedging Agreements have been terminated, no Note under the Credit Agreement is outstanding (and all Loans have been repaid in full), all Letters of Credit have been terminated and all Obligations then due and payable have been paid in full.

(b) In the event that any part of the Collateral is sold in connection with a sale permitted by Section 9.02 of the Credit Agreement (other than a sale to any Pledgor or any Subsidiary thereof) or is otherwise released at the direction of the Required Lenders (or all

Lenders if required by Section 13.12 of the Credit Agreement) and the proceeds of such sale or sales or from such release are applied in accordance with the provisions of the Credit Agreement, to the extent required to be so applied, the Pledgee, at the request and expense of any Pledgor, will duly assign, transfer and deliver to such Pledgor (without recourse and without any representation or warranty) such of the Collateral (and releases therefor) as is then being (or has been) so sold or released and has not theretofore been released pursuant to this Agreement.

(c) At any time that a Pledgor desires that the Pledgee assign, transfer and deliver Collateral (and releases therefor) as provided in Section 20(a) or (b) hereof, it shall deliver to the Pledgee a certificate signed on behalf of such Pledgor by a principal executive officer of such Pledgor stating that the release of the respective Collateral is permitted pursuant to such Section 20(a) or (b).

(d) The Pledgee shall have no liability whatsoever to any other Secured Creditor as the result of any release of Collateral by it in accordance with this Section 20.

21. NOTICES, ETC. All notices and communications hereunder shall be sent or delivered by mail, telegraph, telex, telecopy, cable or overnight courier service and all such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by overnight courier, be effective when received by the party to which such notices and communications are required or permitted to be given or made under this Agreement. All notices and other communications shall be in writing and addressed as follows:

(a) if to any Pledgor, at the address set forth opposite such Pledgor's signature below;

(b) if to the Pledgee, at:

Bankers Trust Company
One Bankers Trust Plaza
130 Liberty Street
New York, New York 10006
Attention: Mary Kay Coyle
Telephone No.: (212) 250-9094
Telecopier No.: (212) 250-7218

(c) if to any Lender Creditor, either (x) to the Administrative Agent, at the address of the Administrative Agent specified in the Credit Agreement or (y) at such address as such Lender Creditors have specified in the Credit Agreement;

(d) if to any Other Creditor at such address as such Other Creditor shall have specified in writing to the Pledgors and the Pledgee;

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder.

22. WAIVER; AMENDMENT. None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by each Pledgor directly affected thereby and the Pledgee (with the written consent of either (x) the Required Lenders (or all of the Lenders to the extent required by Section 13.12 of the Credit Agreement) at all times prior to the time on which all Credit Document Obligations have been paid in full or (y) the holders of at least a majority of the outstanding Other Obligations at all times after the time on which all Credit Document Obligations have been paid in full); provided, that any change, waiver, modification or variance affecting the rights and benefits of a single Class (as defined below) of Secured Creditors (and not all Secured Creditors in a like or similar manner) shall also require the written consent of the Requisite Creditors (as defined below) of such affected Class. For the purpose of this Agreement, the term "Class" shall mean each of the two following classes of Secured Creditors, i.e., whether (i) the Lender Creditors as holders of the Credit Document Obligations or (ii) the Other Creditors as the holders of the Other Obligations. For the purpose of this Agreement, the term "Requisite Creditors" of any Class shall mean each of (i) with respect to the Credit Document Obligations, the Required Lenders and (ii) with respect to the Other Obligations, the holders of at least a majority of all obligations outstanding from time to time under the Interest Rate Protection Agreements and Other Hedging Agreements.

23. MISCELLANEOUS. This Agreement shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of and be enforceable by each of the parties hereto and its successors and assigns, provided that no Pledgor may assign any of its rights or obligations under this Agreement without the prior consent of the Pledgee. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK. EACH PLEDGOR IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. The headings in this Agreement are for purposes of reference only and shall not limit or define the meaning hereof. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one instrument. In the event that any provision of this Agreement shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Agreement which shall remain binding on all parties hereto.

24. RECOURSE. This Agreement is made with full recourse to the Pledgors and pursuant to and upon all the representations, warranties, covenants and agreements on the part of the Pledgors contained herein and in the other Secured Debt Agreements and otherwise in writing in connection herewith or therewith.

25. ADDITIONAL PLEDGORS. It is understood and agreed that any Subsidiary of Holdings that is required to execute a counterpart of this Agreement after the date hereof pursuant to the Credit Agreement shall become a Pledgor hereunder by executing a counterpart hereof and delivering the same to the Pledgee.

****

IN WITNESS WHEREOF, each Pledgor and the Pledgee have caused this Agreement to be executed by their duly elected officers duly authorized as of the date first above written.

Address:
- -------
Three Imperial Promenade
Suite 600
Santa Ana, California 92707
Attention:
Telephone:
Telecopier:

RC TRANSACTION CORP.,
as a Pledgor

By: /s/ Stephen J. Giusto

Title: C.F.O. & Secretary

Three Imperial Promenade
Suite 600
Santa Ana, California 92707
Attention:
Telephone:
Telecopier:

RCLLC ACQUISITION CORP.,
as a Pledgor

By: /s/ Stephen J. Giusto

Title: C.F.O. & Secretary

Three Imperial Promenade
Suite 600
Santa Ana, California 92707
Attention:
Telephone:
Telecopier:

RESOURCES CONNECTION LLC,
as a Pledgor

By: /s/ Stephen J. Giusto

Title: C.F.O. & Secretary

Accepted and Agreed to:

BANKERS TRUST COMPANY, as Pledgee

By: /s/ Mary Kay Coyle

Title: Managing Director

EXHIBIT 10.9

SECURITY AGREEMENT
among
RC TRANSACTION CORP.,
CERTAIN OF ITS SUBSIDIARIES,
and

BANKERS TRUST COMPANY,
as Collateral Agent

Dated as of April 1, 1999

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SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of April 1, 1999, made by each of the undersigned assignors (each an "Assignor" and, together with any other entity that becomes an assignor hereunder pursuant to Section 10.13 hereof, the "Assignors") in favor of Bankers Trust Company, as Collateral Agent (the "Collateral Agent"), for the benefit of the Secured Creditors (as defined below). Except as otherwise defined herein, capitalized terms used herein and defined in the Credit Agreement (as defined below) shall be used herein as so defined.

WITNESSETH:

WHEREAS, RC Transaction Corp. ("Holdings"), RCLLC Acquisition Corp. (the "Borrower", which term shall mean Re:sources Connection LLC from and after the consummation of the Merger), Re:sources Connection LLC, the lenders party from time to time party thereto (the "Lenders"), Bankers Trust Company, as Administrative Agent and Lead Arranger (together with any successor administrative agent, the "Administrative Agent"), BankBoston, N.A., as Syndication Agent (the "Syndication Agent"), and U.S. Bank National Association, as Documentation Agent (the "Documentation Agent"), have entered into a Credit Agreement, dated as of April 1, 1999, providing for the making of Loans to, and the issuance of Letters of Credit for the account of, the Borrower as contemplated therein (as amended, modified or supplemented from time to time, the "Credit Agreement") (the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent, the Issuing Lender and the Collateral Agent are herein called the "Lender Creditors");

WHEREAS, the Borrower may at any time and from time to time enter into one or more Interest Rate Protection Agreements or Other Hedging Agreements with one or more Lenders or any affiliate thereof (each such Lender or affiliate, even if the respective Lender subsequently ceases to be a Lender under the Credit Agreement for any reason, together with such Lender's or affiliate's successors and assigns, if any, collectively, the "Other Creditors," and together with the Lender Creditors, are herein called the "Secured Creditors");

WHEREAS, pursuant to the Subsidiaries Guaranty, each Subsidiary Guarantor has jointly and severally guaranteed to the Secured Creditors the payment when due of all Guaranteed Obligations as described therein;

WHEREAS, pursuant to the Holdings Guaranty, Holdings has guaranteed to the Secured Creditors the payment when due of all Guaranteed Obligations as described therein;

WHEREAS, it is a condition precedent to the making of Loans to, and the issuance of Letters of Credit for the account of, the Borrower under the Credit Agreement that each Assignor shall have executed and delivered to the Collateral Agent this Agreement; and

WHEREAS, each Assignor will obtain benefits from the incurrence of Loans by, and the issuance of Letters of Credit for the account of, the Borrower under the Credit Agreement and the entering into by the Borrower of Interest Rate Protection Agreements and Other Hedging Agreements and, accordingly, each Assignor desires to enter into this Agreement in order to satisfy the condition described in the preceding paragraph;

NOW, THEREFORE, in consideration of the benefits accruing to each Assignor, the receipt and sufficiency of which are hereby acknowledged, each Assignor hereby makes the following representations and warranties to the Collateral Agent for the benefit of the Secured Creditors and hereby covenants and agrees with the Collateral Agent for the benefit of the Secured Creditors as follows:

ARTICLE I

SECURITY INTERESTS

1.1. Grant of Security Interests. (a) As security for the prompt and complete payment and performance when due of all of its Obligations, each Assignor does hereby assign and transfer unto the Collateral Agent, and does hereby pledge and grant to the Collateral Agent for the benefit of the Secured Creditors, a continuing security interest in, all of the right, title and interest of such Assignor in, to and under all of the following, whether now existing or hereafter from time to time acquired: (i) each and every Receivable, (ii) all Contracts, together with all Contract Rights arising thereunder, (iii) all Inventory, (iv) all Equipment, (v) all Marks, together with the registrations and right to all renewals thereof, and the goodwill of the business of such Assignor symbolized by the Marks, (vi) all Patents and Copyrights, (vii) all computer programs of such Assignor and all intellectual property rights therein and all other proprietary information of such Assignor, including, but not limited to, Trade Secrets Rights, (viii) all other Goods, General Intangibles, Investment Property, Permits, Chattel Paper, Documents, Instruments and other assets (including cash), (ix) the Cash Collateral Account and all monies, securities, instruments and other investments deposited or required to be deposited in such Cash Collateral Account, (x) all other bank, demand, time savings, cash management, passbook, certificates of deposit and similar accounts maintained by such Assignor and all monies, securities, instruments and other investments deposited or required to be deposited in any of the foregoing accounts, and (xi) all Proceeds and products of any and all of the foregoing (all of the above, collectively, the " Collateral"); provided however, that (x) in the case of any Instruments, Contracts, Chattel Paper or General Intangibles that would otherwise be included in the Collateral, no security interest in the right, title and interest of any Assignor thereunder or therein will be granted pursuant to this Section 1.1 (and such Instruments, Contracts, Chattel Paper or General Intangibles shall not be deemed to constitute a part of the Collateral) for so long as, and to the extent that, the granting of a security interest in the right, title and interest of such Assignor thereunder or therein pursuant to the terms hereof would result in a breach, default or termination of such Instruments, Contracts, Chattel Paper or General Intangibles, although the provisions of this clause (x) shall not apply to (and the security interests created hereunder shall extend to) (i) the right to receive monies due or to become due pursuant to such Instruments, Contracts, Chattel Paper or General Intangibles, (ii) any equity interests owned by any Assignor in any Subsidiary of such Assignor, (iii) any such items of Collateral by and among any Assignor and any Subsidiary of any Assignor and (iv) the Transition Services Agreement and (y) in the case of any Equipment that would otherwise be

included in the foregoing Collateral, the foregoing will not be deemed to grant a security interest therein under this Agreement (and such Equipment shall not be deemed to constitute a part of the Collateral) if such Equipment is subject to a Lien permitted by Section 9.01(vii) of the Credit Agreement and the holder of such Lien has not consented to the Collateral Agent having a junior Lien on such Equipment.

(b) The security interest of the Collateral Agent under this Agreement extends to all Collateral of the kind which is the subject of this Agreement which any Assignor may acquire at any time during the term of this Agreement.

1.2. Power of Attorney. Each Assignor hereby constitutes and appoints
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the Collateral Agent its true and lawful attorney, irrevocably, with full power after the occurrence of and during the continuance of an Event of Default (in the name of such Assignor or otherwise) to act, require, demand, receive, compound and give acquittance for any and all moneys and claims for moneys due or to become due to such Assignor under or arising out of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Collateral Agent may deem to be necessary or advisable to protect the interests of the Secured Creditors, which appointment as attorney is coupled with an interest.

ARTICLE II

GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Assignor represents, warrants and covenants, which representations, warranties and covenants shall survive execution and delivery of this Agreement, as follows:

2. 1. Necessary Filings. All filings, registrations and recordings
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necessary or appropriate to create, preserve and perfect the security interest granted by such Assignor to the Collateral Agent hereby in respect of the Collateral have been (or within days after the date hereof will be) accomplished and the security interest granted to the Collateral Agent pursuant to this Agreement in and to the Collateral creates (or will create, as the case may be) a perfected security interest therein prior to the rights of all other Persons therein and subject to no other Liens (other than Permitted Liens) and is entitled to all the rights, priorities and benefits afforded by the Uniform Commercial Code or other relevant law as enacted in any relevant jurisdiction to perfected security interests, in each case to the extent that the Collateral consists of the type of property in which a security interest may be perfected by filing a financing statement under the Uniform Commercial Code as enacted in any relevant jurisdiction or in the United States Patent and Trademark Office or in the United States Copyright Office.

2.2. No Liens. Except for the security interest created by this
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Agreement, such Assignor is, and as to Collateral acquired by it from time to time after the date hereof such Assignor will be, the owner of all Collateral free from any Lien, security interest, encumbrance or other right, title or interest of any Person (other than Permitted Liens), and such Assignor shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to the Collateral Agent.

2.3. Other Financing Statements. As of the date hereof, there is no
financing statement (or similar statement or instrument of registration under the law of any jurisdiction) covering or purporting to cover any interest of any kind in the Collateral (other than financing statements filed in respect of Permitted Liens), and so long as the Termination Date has not occurred, such Assignor will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Collateral, except financing statements filed or to be filed in respect of and covering the security interests granted hereby by such Assignor or in connection with Permitted Liens.

2.4. Chief Executive Office. The chief executive office of such
Assignor is located at the address indicated on Annex A hereto for such Assignor. Such Assignor will not move its chief executive office except to such new location as such Assignor may establish in accordance with the last sentence of this Section 2.4. No Assignor shall establish new locations for such offices until (i) it shall have given to the Collateral Agent not less than 15 days' prior written notice of its intention to do so, clearly describing such new location and providing such other information in connection therewith as the Collateral Agent may reasonably request and (ii) with respect to such new location, it shall have taken all action reasonably satisfactory to the Collateral Agent to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

2.5. Location of Inventory and Equipment. All Inventory and Equipment
held on the date hereof by each Assignor is located at one of the locations shown on Annex B hereto for such Assignor. Each Assignor agrees that all Inventory and Equipment now held or subsequently acquired by it shall be kept at (or shall be in transport to) any one of the locations shown on Annex B hereto (or shall be in transport to a purchaser thereof), or such new location as such Assignor may establish in accordance with the last sentence of this Section 2.5. Any Assignor may establish a new location for Inventory and Equipment only if (i) it shall have given to the Collateral Agent not less than 15 days' prior written notice of its intention so to do, clearly describing such new location and providing such other information in connection therewith as the Collateral Agent may request and (ii) with respect to such new location, it shall have taken all action reasonably satisfactory to the Collateral Agent to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

2.6. Recourse. This Agreement is made with full recourse to each
Assignor (including, without limitation, with full recourse to all assets of such Assignor) and pursuant to and upon all the warranties, representations, covenants and agreements on the part of such Assignor contained herein, in the other Secured Debt Agreements and otherwise in writing in connection herewith or therewith.

2.7. Trade Names; Change of Name. No Assignor has or operates in any
jurisdiction under, or in the preceding five years has had or has operated in any jurisdiction under, any trade names, fictitious names or other names except its legal name and such other trade or fictitious names as are listed on Annex C hereto for such Assignor. No Assignor shall change its legal name or assume or operate in any jurisdiction under any trade, fictitious or other name

except those names listed on Annex C hereto for such Assignor and new names established in accordance with the last sentence of this Section 2.7. No Assignor shall assume or operate in any jurisdiction under any new trade, fictitious or other name until (i) it shall have given to the Collateral Agent not less than 15 days' prior written notice of its intention so to do, clearly describing such new name and the jurisdictions in which such new name shall be used and providing such other information in connection therewith as the Collateral Agent may reasonably request and (ii) with respect to such new name, it shall have taken all action reasonably requested by the Collateral Agent to maintain the security interest of the Collateral Agent in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

ARTICLE III

SPECIAL PROVISIONS CONCERNING RECEIVABLES; CONTRACT RIGHTS; INSTRUMENTS; CHATTEL PAPER

3.1. Additional Representations and Warranties. As of the time when each of its Receivables arises, each Assignor shall be deemed to have represented and warranted that such Receivable, and all records, papers and documents relating thereto (if any) are what they purport to be, and such Receivable will evidence true and valid obligations of the account debtor named therein.

3.2. Maintenance of Records. Each Assignor will keep and maintain at its own cost and expense accurate records of its Receivables and Contracts, including, but not limited to, originals of all documentation (including each Contract) with respect thereto, records of all payments received, all credits granted thereon, all merchandise returned and all other dealings therewith, and such Assignor will make the same available on such Assignor's premises to the Collateral Agent for inspection, at such Assignor's own cost and expense, at any and all reasonable times upon prior notice to such Assignor. Upon the occurrence and during the continuance of an Event of Default and at the request of the Collateral Agent, such Assignor shall, at its own cost and expense, deliver all tangible evidence of its Receivables and Contract Rights (including, without limitation, all documents evidencing the Receivables and all Contracts) and such books and records to the Collateral Agent or to its representatives (copies of which evidence and books and records may be retained by such Assignor). Upon the occurrence and during the continuance of an Event of Default and if the Collateral Agent so reasonably directs, such Assignor shall legend, in form and manner satisfactory to the Collateral Agent, the Receivables and the Contracts, as well as books, records and documents (if any) of such Assignor evidencing or pertaining to such Receivables and Contracts with an appropriate reference to the fact that such Receivables and Contracts have been assigned to the Collateral Agent and that the Collateral Agent has a security interest therein.

3.3. Direction to Account Debtors; Contracting Parties: etc. Upon the occurrence and during the continuance of an Event of Default, and if the Collateral Agent so directs any Assignor, such Assignor agrees (x) to cause all payments on account of the Receivables and Contracts to be made directly to the Cash Collateral Account, (y) that the Collateral Agent may, at its option, directly notify the obligors with respect to any Receivables and/or under any Contracts to make payments with respect thereto as provided in the preceding clause (x), and (z)

that the Collateral Agent may enforce collection of any such Receivables and Contracts and may adjust, settle or compromise the amount of payment thereof, in the same manner and to the same extent as such Assignor. Without notice to or assent by any Assignor, the Collateral Agent may apply any or all amounts then in, or thereafter deposited in, the Cash Collateral Account which application shall be effected in the manner provided in Section 7.4 of this Agreement. The reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees and costs and disbursements) of collection, whether incurred by an Assignor or the Collateral Agent, shall be borne by the relevant Assignor. The Collateral Agent shall deliver a copy of each notice referred to in the preceding clause (y) to the relevant Assignor, provided that the failure
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by the Collateral Agent to so notify such Assignor shall not affect the effectiveness of such notice or the other rights of the Collateral Agent created by this Section 3.3.

3.4. Modification of Terms; etc. Except in accordance with such
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Assignor's ordinary course of business and consistent with reasonable business judgment, no Assignor shall rescind or cancel any indebtedness evidenced by any Receivable or under any Contract, or modify any term thereof or make any adjustment with respect thereto, or extend or renew the same, or compromise or settle any material dispute, claim, suit or legal proceeding relating thereto, or sell any Receivable or Contract, or interest therein, without the prior written consent of the Collateral Agent. Each Assignor will duly fulfill all obligations on its part to be fulfilled under or in connection with the Receivables and Contracts and will do nothing to impair the rights of the Collateral Agent in the Receivables or Contracts.

3.5 Collection. Each Assignor shall endeavor in accordance with
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reasonable business practices to cause to be collected from the account debtor named in each of its Receivables or obligor under any Contract, as and when due (including, without limitation, amounts which are delinquent, such amounts to be collected in accordance with generally accepted lawful collection procedures) any and all amounts owing under or on account of such Receivable or Contract, and apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Receivable or under such Contract except that, prior to the occurrence of an Event of Default, any Assignor may make adjustments to its Receivables and Contracts in accordance with reasonable business practices. The reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) of collection, whether incurred by an Assignor or the Collateral Agent, shall be borne by the relevant Assignor.

3.6. Instruments. If any Assignor owns or acquires any Instrument
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(other than a check) constituting Collateral, such Assignor will within 10 Business Days notify the Collateral Agent thereof, and upon request by the Collateral Agent will promptly deliver such Instrument to the Collateral Agent appropriately endorsed to the order of the Collateral Agent as further security hereunder.

3.7. Assignors Remain Liable Under Receivables. Anything herein to the
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contrary notwithstanding, the Assignors shall remain liable under each of the Receivables to observe and perform all of the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to such Receivables. Neither the Collateral Agent nor any other Secured Creditor shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) by reason of or arising out of this Agreement or

the receipt by the Collateral Agent or any other Secured Creditor of any payment relating to such Receivable pursuant hereto, nor shall the Collateral Agent or any other Secured Creditor be obligated in any manner to perform any of the obligations of any Assignor under or pursuant to any Receivable (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by them or as to the sufficiency of any performance by any party under any Receivable (or any agreement giving rise thereto), to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to them or to which they may be entitled at any time or times.

3.8. Assignors Remain Liable Under Contracts. Anything herein to the contrary notwithstanding, the Assignors shall remain liable under each of the Contracts to observe and perform all of the conditions and obligations to be observed and performed by them thereunder, all in accordance with and pursuant to the terms and provisions of each Contract. Neither the Collateral Agent nor any other Secured Creditor shall have any obligation or liability under any Contract by reason of or arising out of this Agreement or the receipt by the Collateral Agent or any other Secured Creditor of any payment relating to such contract pursuant hereto, nor shall the Collateral Agent or any other Secured Creditor be obligated in any manner to perform any of the obligations of any Assignor under or pursuant to any Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any performance by any party under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to them or to which they may be entitled at any time or times.

ARTICLE IV

SPECIAL PROVISIONS CONCERNING TRADEMARKS

4.1. Additional Representations and Warranties. Each Assignor represents and warrants that it owns or otherwise has the right to use the registered Marks listed in Annex D hereto for such Assignor and that Marks listed in Annex D include all United States registrations and applications in the United States Patent and Trademark Office that such Assignor owns or uses in connection with its business as of the date hereof. Each Assignor represents and warrants that it owns, is licensed to use or otherwise has the right to use, all material Marks that it uses. Each Assignor further warrants that it has no knowledge of any pending or threatened third party claim that any aspect of such Assignor's present or contemplated business operations infringes any trademark, service mark or trade name. Each Assignor represents and warrants that all U.S. trademark registrations and applications listed in Annex D hereto are valid, subsisting, have not been cancelled and that such Assignor is not aware of any pending or threatened third-party claim that any of said registrations is invalid or unenforceable, or is not aware that there is any reason that any of said registrations is invalid or unenforceable. Each Assignor hereby grants to the Collateral Agent an absolute power of attorney to sign, upon the occurrence and during the continuance of an Event of Default, any document which may be required by the United States Patent and Trademark Office in order to effect an absolute assignment of all right, title and interest in each Mark, and record the same.

4.2. Divestitures. Except to the extent not prohibited by the Secured Debt Agreements, each Assignor hereby agrees not to divest itself of any right under any Mark absent prior written approval of the Collateral Agent.

4.3. Infringements. Each Assignor agrees, promptly upon learning thereof, to notify the Collateral Agent of such pertinent information that may be available with respect to any party who such Assignor believes is infringing or diluting or otherwise violating in any material respect any of such Assignor's rights in and to any material Mark, or with respect to any party claiming that such Assignor's use of any material Mark violates in any material respect any property right of that party. Each Assignor further agrees, unless otherwise agreed by the Collateral Agent, to prosecute any Person infringing any Mark in accordance with reasonable business practices to the extent in its reasonable judgment, it is appropriate to do so.

4.4. Preservation of Marks. Each Assignor agrees to use its material Marks that are registered in the United States Patent and Trademark Office in interstate commerce during the time in which this Agreement is in effect and to take all such other actions as are necessary to preserve such Marks as trademarks or service marks under the laws of the United States.

4.5. Maintenance of Registration. Each Assignor shall, at its own expense, diligently process all documents required to maintain trademark registrations, including but not limited to affidavits of use and applications for renewals of registration in the United States Patent and Trademark Office for all of its material Marks registered therein, and shall pay all fees and disbursements in connection therewith and shall not abandon any such filing of affidavit of use or any such application of renewal prior to the exhaustion of all administrative and judicial remedies without prior written consent of the Collateral Agent.

4.6. Future Registered Marks. If any Mark registration is issued hereafter to any Assignor as a result of any application now or hereafter pending before the United States Patent and Trademark Office, within 30 days after the last day of the fiscal quarter in which such certificate is issued, such Assignor shall deliver to the Collateral Agent a copy of such certificate, and an assignment for security in such Mark, to the Collateral Agent and at the expense of such Assignor, confirming the assignment for security in such Mark to the Collateral Agent hereunder, the form of such security to be substantially the same as the form hereof or in such other form as may be reasonably satisfactory to the Collateral Agent.

4.7. Remedies. If an Event of Default shall occur and be continuing, the Collateral Agent may, by written notice to the relevant Assignor, take any or all of the following actions: (i) declare the entire right, title and interest of such Assignor in and to each of the Marks, together with all trademark rights and rights of protection to the same, vested in the Collateral Agent for the benefit of the Secured Creditors, in which event such rights, title and interest shall immediately vest, in the Collateral Agent for the benefit of the Secured Creditors, and the Collateral Agent shall be entitled to exercise the power of attorney referred to in Section 4.1 hereof to execute, cause to be acknowledged and notarized and record said absolute assignment with the applicable agency; (ii) take and use or sell the Marks and the goodwill of such Assignor's business symbolized by the Marks and the right to carry on the business and use the assets of such Assignor in connection with which the Marks have been used; and (iii) direct such Assignor to

refrain, in which event such Assignor shall refrain, from using the Marks in any manner whatsoever, directly or indirectly, and such Assignor shall execute such further documents that the Collateral Agent may reasonably request to further confirm this and to transfer ownership of the Marks and registrations and any pending trademark application in the United States Patent and Trademark Office to the Collateral Agent; provided, however, that, with respect to any

trademark application filed pursuant to 15 U.S.C. Section 1051(b) for which a verified Statement of Use has not yet been filed pursuant to 15 U.S.C. Section 1051(d), the parties hereto agree to take only those actions necessary to fulfill the foregoing obligations that do not threaten the validity of such trademark applications under 15 U.S.C. Section 1060.

ARTICLE V

SPECIAL PROVISIONS CONCERNING PATENTS, COPYRIGHTS AND TRADE SECRETS

5.1. Additional Representations and Warranties. Each Assignor represents and warrants that it owns all rights in (i) all trade secrets and proprietary information necessary to operate the business of the Assignor in the United States (the "Trade Secret Rights"), (ii) the Patents listed in Annex E hereto for such Assignor and that said Patents include all the United States patents and applications for United States patents that such Assignor owns as of the date hereof and (iii) the Copyrights listed in Annex F hereto for such Assignor and that said Copyrights constitute all the United States copyrights registered with the United States Copyright Office and applications to United States copyrights that such Assignor owns as of the date hereof. Each Assignor further warrants that it has no knowledge of any pending or threatened third party claim that any aspect of such Assignor's present or contemplated business operations infringes any patent or such Assignor has misappropriated any trade secret or proprietary information. Each Assignor hereby grants to the Collateral Agent an absolute power of attorney to sign, upon the occurrence and during the continuance of any Event of Default, any document which may be required by the United States Patent and Trademark Office in order to effect an absolute assignment of all right, title and interest in each Patent, and to record the same.

5.2. Divestures. Except to the extent not prohibited by the Secured Debt Agreements, each Assignor hereby agrees not to divest itself of any right under any Patent or Copyright acquired after the date hereof absent prior written approval of the Collateral Agent.

5.3. Infringements. Each Assignor agrees, promptly upon learning thereof, to furnish the Collateral Agent with all pertinent information available to such Assignor with respect to any infringement, contributing infringement or active inducement to infringe in any material Patent or Copyright, that could reasonably be expected to have a Material Adverse Effect, or to any claim that the practice of any material Patent or use of any material Copyright violates any property right of a third party, or with respect to any misappropriation of any Trade Secret Right or any claim that practice of any Trade Secret Right violates any property right of a third party, in any respect, that could reasonably be expected to have a Material Adverse Effect. Each Assignor further agrees, unless otherwise agreed by the Collateral Agent to prosecute any Person infringing any Patent or Copyright or any Person misappropriating any Trade Secret Right in accordance

with reasonable business practices to the extent in its reasonable judgment it is appropriate to do so.

5.4. Maintenance of Patents or Copyright. At its own expense, each Assignor shall make timely payment of all post-issuance fees required pursuant to 35 U.S.C. (S) 41 to maintain in force its rights under each material Patent or Copyright, absent prior written consent of the Collateral Agent.

5.5. Prosecution of Patent Applications. At its own expense, each Assignor shall diligently prosecute all material applications for (i) United States Patents listed in Annex E hereto and (ii) material Copyrights listed on Annex F hereto, and shall not abandon any such application prior to exhaustion of all administrative and judicial remedies, absent written consent of the Collateral Agent.

5.6. Other Patents and Copyrights. Within 30 days after the last day of the fiscal quarter in which the acquisition or issuance of a United States Patent, registration of a Copyright, or acquisition of a registered Copyright, or of filing of an application for a United States Patent or Copyright occurs, the relevant Assignor shall deliver to the Collateral Agent a copy of said Copyright or certificate or registration of, or application therefor, said Patents, as the case may be, with an assignment for security as to such Patent or Copyright, as the case may be, to the Collateral Agent and at the expense of such Assignor, confirming the assignment for security, the form of such assignment for security to be substantially the same as the form hereof or in such other form as may be reasonably satisfactory to the Collateral Agent.

5.7. Remedies. If an Event of Default shall occur and be continuing, the Collateral Agent may by written notice to the relevant Assignor, take any or all of the following actions: (i) declare the entire right, title, and interest of such Assignor in each of the Patents and Copyrights vested in the Collateral Agent for the benefit of the Secured Creditors, in which event such right, title, and interest shall immediately vest in the Collateral Agent for the benefit of the Secured Creditors, in which case the Collateral Agent shall be entitled to exercise the power of attorney referred to in Section 5.1 hereof to execute, cause to be acknowledged and notarized and to record said absolute assignment with the applicable agency; (ii) take and practice or sell the Patents and Copyrights; and (iii) direct such Assignor to refrain, in which event such Assignor shall refrain, from practicing the Patents and using the Copyrights directly or indirectly, and such Assignor shall execute such further documents as the Collateral Agent may reasonably request further to confirm this and to transfer ownership of the Patents and Copyrights to the Collateral Agent for the benefit of the Secured Creditors.

ARTICLE VI

PROVISIONS CONCERNING ALL COLLATERAL

6.1. Protection of Collateral Agent's Security. Each Assignor will do nothing to impair the rights of the Collateral Agent in the Collateral. Each Assignor will at all times keep its Inventory and Equipment insured in favor of the Collateral Agent, at such Assignor's own expense to the extent and in the manner provided in the Credit Agreement. Except to the extent otherwise

permitted to be retained by such Assignor or applied by such Assignor pursuant to the terms of the Credit Agreement, the Collateral Agent shall, at the time an proceeds of such insurance are distributed to the Secured Creditors, apply such proceeds in accordance with Section 7.4 hereof. Each Assignor assumes all liability and responsibility in connection with the Collateral acquired by it and the liability of such Assignor to pay the Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, destroyed, stolen, damaged or for any reason whatsoever unavailable to such Assignor.

6.2. Warehouse Receipts Non-negotiable. Each Assignor agrees that if any warehouse receipt or receipt in the nature of a warehouse receipt is issued with respect to any of its Inventory, such Assignor shall request that such warehouse receipt or receipt in the nature thereof shall not be "negotiable" (as such term is used in Section 7-104 of the UCC as in effect in any relevant jurisdiction or under other relevant law).

6.3. Further Actions. Each Assignor will, at its own expense and upon the reasonable request of the Collateral Agent, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such lists, descriptions and designations of its Collateral, warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which the Collateral Agent deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral.

6.4. Financing Statements. Each Assignor agrees to execute and deliver to the Collateral Agent such financing statements, in form reasonably acceptable to the Collateral Agent, as the Collateral Agent may from time to time reasonably request or as are necessary or desirable in the reasonable opinion of the Collateral Agent to establish and maintain a valid, enforceable, first priority (subject to Permitted Liens) perfected security interest in the Collateral as provided herein and the other rights and security contemplated hereby all in accordance with the UCC as enacted in any and all relevant jurisdictions or any other relevant law. Each Assignor will pay any applicable filing fees, recordation taxes and related expenses relating to its Collateral. Each Assignor hereby authorizes the Collateral Agent to file any such financing statements without the signature of such Assignor where permitted by law.

ARTICLE VII

REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

7. 1. Remedies: Obtaining the Collateral Upon Default. Each Assignor agrees that, if any Event of Default shall have occurred and be continuing, then and in every such case, the Collateral Agent, in addition to any rights now or hereafter existing under applicable law, shall have all rights as a secured creditor under any UCC, and such additional rights and remedies to which a secured creditor is entitled under the laws in effect, in all relevant jurisdictions and may:

(i) personally, or by agents or attorneys, immediately take possession of the Collateral or any part thereof, from such Assignor or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon such Assignor's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of such Assignor;

(ii) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, the Receivables and the Contracts) constituting the Collateral to make any payment required by the terms of such agreement, instrument or other obligation directly to the Collateral Agent and may exercise any and all remedies of such Assignor in respect of such Collateral;

(iii) withdraw all monies, securities and instruments in the Cash Collateral Account for application to the Obligations in accordance with Section 7.4 hereof;

(iv) sell, assign or otherwise liquidate any or all of the Collateral or any part thereof in accordance with Section 7.2 hereof, or direct the relevant Assignor to sell, assign or otherwise liquidate any or all of the Collateral or any part thereof, and, in each case, take possession of the proceeds of any such sale or liquidation;

(v) take possession of the Collateral or any part thereof, by directing the relevant Assignor in writing to deliver the same to the Collateral Agent at any place or places designated by the Collateral Agent, in which event such Assignor shall at its own expense:

(x) forthwith cause the same to be moved to the place or places so designated by the Collateral Agent and there delivered to the Collateral Agent;

(y) store and keep any Collateral so delivered to the Collateral Agent at such place or places pending further action by the Collateral Agent as provided in Section 7.2 hereof; and

(z) while the Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain the same in good condition; and

(vi) license or sublicense, whether on an exclusive or nonexclusive basis, any Marks, Patents or Copyrights included in the Collateral for such term and on such conditions and in such manner as the Collateral Agent shall in its sole judgment determine;

it being understood that each Assignor's obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Collateral Agent shall be entitled to a decree requiring specific performance by such Assignor of said obligation. By accepting the benefits of this Agreement, the Secured Creditors agree that this Agreement may be enforced only by the action of the Collateral Agent acting upon the instructions of the Required Secured Creditors and that no other Secured Creditor shall have any right individually to seek to enforce this Agreement or to realize upon the security to be granted

hereby, it being understood and agreed that such rights and remedies may be exercised by the Collateral Agent for the benefit of the Secured Creditors upon the terms of this Agreement and the Credit Agreement.

7.2. Remedies; Disposition of the Collateral. If any Event of Default shall have occurred and be continuing, then any Collateral repossessed by the Collateral Agent under or pursuant to Section 7.1 hereof and any other Collateral whether or not so repossessed by the Collateral Agent, may be sold, assigned, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the Collateral Agent may, in compliance with any mandatory requirements of applicable law, determine to be commercially reasonable. Any of the Collateral may be sold, leased or otherwise disposed of, in the condition in which the same existed when taken by the Collateral Agent or after any overhaul or repair at the expense of the relevant Assignor which the Collateral Agent shall determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than 10 days' prior written notice to the relevant Assignor specifying the time at which such disposition is to be made and the intended sale price or other consideration therefor, and shall be subject, for the 10 days after the giving of such notice, to the right of the relevant Assignor or any nominee of such Assignor to acquire the Collateral involved at a price or for such other consideration at least equal to the intended sale price or other consideration so specified. Any such disposition which shall be a public sale permitted by such requirements shall be made upon not less than 10 days' prior written notice to the relevant Assignor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at the Collateral Agent's option, be subject to reserve), after publication of notice of such auction (where required by applicable law) not less than 10 days prior thereto. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned. To the extent permitted by any such requirement of law, the Collateral Agent may bid for and become the purchaser of the Collateral or any item thereof, offered for sale in accordance with this Section 7.2 without accountability to the relevant Assignor. If, under mandatory requirements of applicable law, the Collateral Agent shall be required to make disposition of the Collateral within a period of time which does not permit the giving of notice to the relevant Assignor as hereinabove specified, the Collateral Agent need give such Assignor only such notice of disposition as shall be reasonably practicable in view of such mandatory requirements of applicable law. Each Assignor agrees to do or cause to be done all such other acts and things as may be reasonably necessary to make such sale or sales of all or any portion of the Collateral valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at such Assignor's expense.

7.3. Waiver of Claims. Except as otherwise provided in this Agreement, EACH ASSIGNOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE AND JUDICIAL HEARING IN CONNECTION WITH THE COLLATERAL AGENT'S TAKING POSSESSION OR THE COLLATERAL AGENT'S DISPOSITION OF

ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES, and each Assignor hereby further waives, to the extent permitted by law:

(i) all damages occasioned by such taking of possession except any damages which are the direct result of the Collateral Agent's gross negligence or willful misconduct;

(ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Collateral Agent's rights hereunder; and

(iii) all rights of redemption, appraisement, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and each Assignor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title and interest, claim and demand, either at law or in equity, of the relevant Assignor therein, and shall be a perpetual bar both at law and in equity against such Assignor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under such Assignor.

7.4. Application of Proceeds. (a) All moneys collected by the
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Collateral Agent (or, to the extent the Pledge Agreement or any Additional Security Document requires proceeds of collateral under such Security Document to be applied in accordance with the provisions of this Agreement, the Collateral Agent under such other Security Document) upon any sale or other disposition of the Collateral, together with all other moneys received by the Collateral Agent hereunder, shall be applied as follows.

(i) first, to the payment of all amounts owing the Collateral Agent of the type described in clauses (iii) and (iv) of the definition of "Obligations";

(ii) second, to the extent proceeds remain after the application pursuant to the preceding clause (i), an amount equal to the outstanding Primary Obligations shall be paid to the Secured Creditors as provided in Section 7.4(e) hereof, with each Secured Creditor receiving an amount equal to such outstanding Primary Obligations or, if the proceeds are insufficient to pay in full all such Primary Obligations, its Pro Rata Share of the amount remaining to be distributed;

(iii) third, to the extent proceeds remain after the application pursuant to the preceding clauses (i) and (ii), an amount equal to the outstanding Secondary Obligations shall be paid to the Secured Creditors as provided in Section 7.4(e) hereof, with each Secured Creditor receiving an amount equal to its outstanding Secondary Obligations or, if the proceeds are insufficient to pay in full all such Secondary Obligations, its Pro Rata Share of the amount remaining to be distributed; and

(iv) fourth, to the extent proceeds remain after the application pursuant to the preceding clauses (i) through (iii), inclusive, and following the termination of this Agreement

pursuant to Section 10.8(a) hereof, to the relevant Assignor or to whomever may be lawfully entitled to receive such surplus.

(b) For purposes of this Agreement (x) "Pro Rata Share" shall mean, when calculating a Secured Creditor's portion of any distribution or amount, that amount (expressed as a percentage) equal to a fraction the numerator of which is the then unpaid amount of such Secured Creditor's Primary Obligations or Secondary Obligations, as the case may be, and the denominator of which is the then outstanding amount of all Primary Obligations or Secondary Obligations, as the case may be, (y) "Primary Obligations" shall mean (i) in the case of the Credit Document Obligations, all principal of, and interest on, all Loans, all Unpaid Drawings and all Fees and (ii) in the case of the Other Obligations, all amounts due under such Interest Rate Protection Agreements or Other Hedging Agreements (other than indemnities, fees (including, without limitation, attorneys' fees) and similar obligations and liabilities) and (z) "Secondary Obligations" shall mean all Obligations other than Primary Obligations.

(c) When payments to Secured Creditors are based upon their respective Pro Rata Shares, the amounts received by such Secured Creditors hereunder shall be applied (for purposes of making determinations under this Section 7.4 only) (i) first, to their Primary Obligations and (ii) second, to their Secondary Obligations. If any payment to any Secured Creditor of its Pro Rata Share of any distribution would result in overpayment to such Secured Creditor, such excess amount shall instead be distributed in respect of the unpaid Primary Obligations or Secondary Obligations, as the case may be, of the other Secured Creditors, with each Secured Creditor whose Primary Obligations or Secondary Obligations, as the case may be, have not been paid in full to receive an amount equal to such excess amount multiplied by a fraction the numerator of which is the unpaid Primary Obligations or Secondary Obligations, as the case may be, of such Secured Creditor and the denominator of which is the unpaid Primary Obligations or Secondary Obligations, as the case may be, of all Secured Creditors entitled to such distribution.

(d) Each of the Secured Creditors, by their acceptance of the benefits hereof, agrees and acknowledges that if the Lender Creditors are to receive a distribution on account of undrawn amounts with respect to Letters of Credit issued under the Credit Agreement (which shall only occur after all outstanding Loans and Unpaid Drawings with respect to such Letters of Credit have been paid in full), such amounts shall be paid to the Administrative Agent under the Credit Agreement and held by it, for the equal and ratable benefit of the Lender Creditors, as cash security for the repayment of Obligations owing to the Lender Creditors as such. If any amounts are held as cash security pursuant to the immediately preceding sentence, then upon the termination of all outstanding Letters of Credit, and after the application of all such cash security to the repayment of all Obligations owing to the Lender Creditors after giving effect to the termination of all such Letters of Credit, if there remains any excess cash, such excess cash shall be returned by the Administrative Agent to the Collateral Agent for distribution in accordance with Section 7.4(a) hereof.

(e) All payments required to be made hereunder shall be made (x) if to the Lender Creditors, to the Administrative Agent under the Credit Agreement for the account of the Lender Creditors, and (y) if to the Other Creditors, to the trustee, paying agent or other similar

representative (each a "Representative") for the Other Creditors or, in the absence of such a Representative, directly to the Other Creditors.

(f) For purposes of applying payments received in accordance with this Section 7.4, the Collateral Agent shall be entitled to rely upon (i) the Administrative Agent under the Credit Agreement and (ii) the Representative for the Other Creditors or, in the absence of such a Representative, upon the Other Creditors for a determination (which the Administrative Agent and each Representative for any Other Creditors agree (or shall agree) to provide upon request of the Collateral Agent) of the outstanding Primary Obligations and Secondary Obligations owed to the Lender Creditors or the Other Creditors, as the case may be. Unless it has actual knowledge (including by way of written notice from a Lender Creditor or an Other Creditor) to the contrary, the Administrative Agent and each Representative, in furnishing information pursuant to the preceding sentence, and the Collateral Agent, in acting hereunder, shall be entitled to assume that no Secondary Obligations are outstanding. Unless it has actual knowledge (including by way of written notice from an Other Creditor) to the contrary, the Collateral Agent, in acting hereunder, shall be entitled to assume that no Interest Rate Protection Agreements or Other Hedging Agreements are in existence.

(g) It is understood that the Assignors shall remain jointly and severally liable to the extent of any deficiency between the amount of the proceeds of the Collateral and the aggregate amount of the Obligations.

7.5. Remedies Cumulative. Each and every right, power and remedy
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hereby specifically given to the Collateral Agent shall be in addition to every other right, power and remedy specifically given under this Agreement, the other Secured Debt Agreements or now or hereafter existing at law, in equity or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Collateral Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Collateral Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Default or Event of Default or an acquiescence thereof. No notice to or demand on any Assignor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Collateral Agent to any other or further action in any circumstances without notice or demand. In the event that the Collateral Agent shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Collateral Agent may recover reasonable expenses, including reasonable attorneys' fees, and the amounts thereof shall be included in such judgment.

7.6. Discontinuance of Proceedings. In case the Collateral Agent
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shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then and in every such case the relevant Assignor, the Collateral Agent and each holder of any of the

Obligations shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Agreement, and all rights, remedies and powers of the Collateral Agent shall continue as if no such proceeding had been instituted.

ARTICLE VIII

INDEMNITY

8.1. Indemnity. (a) Each Assignor jointly and severally agrees to indemnify, reimburse and hold the Collateral Agent, each other Secured Creditor and their respective successors, permitted assigns, employees, agents, affiliates and servants (hereinafter in this Section 8.1 referred to individually as "Indemnitee," and collectively as "Indemnitees") harmless from any and all liabilities, obligations, damages, injuries, penalties, claims, demands, actions, suits, judgments and any and all reasonable out-of-pocket costs, expenses or disbursements (including reasonable attorneys' fees and expenses) (for the purposes of this Section 8.1 the foregoing are collectively called "expenses") of whatsoever kind and nature imposed on, asserted against or incurred by any of the Indemnitees in any way relating to or arising out of this Agreement, any other Secured Debt Agreement or any other document executed in connection herewith or therewith or in any other way connected with the administration of the transactions contemplated hereby or thereby or the enforcement of any of the terms of, or the preservation of any rights under any thereof, or in any way relating to or arising out of (a) the manufacture, ownership, ordering, purchase, delivery, control, acceptance, lease, financing, possession, operation, condition, sale, return or other disposition, or use of the Collateral (including, without limitation, latent or other defects, whether or not discoverable), (b) the violation of the laws of any country, state or other governmental body or unit, any tort (including, without limitation, claims arising or imposed under the doctrine of strict liability, or for or on account of injury to or the death of any Person (including any Indemnitee), or property damage, in any case described in (b) above, to the extent the same relates to the Collateral or the Lien created hereby), or (c) contract claim; provided that no Indemnitee shall be indemnified pursuant to this Section 8. 1 (a) for losses, damages or liabilities to the extent caused by the gross negligence or willful misconduct of such Indemnitee (as finally determined by a court of competent jurisdiction). Each Assignor agrees that upon written notice by any Indemnitee of the assertion of such a liability, obligation, damage, injury, penalty, claim, demand, action, suit or judgment, the relevant Assignor shall assume full responsibility for the defense thereof. Each Indemnitee agrees to promptly notify the relevant Assignor of any such assertion of which such Indemnitee has knowledge.

(b) Without limiting the application of Section 8.1(a) hereof, each Assignor agrees, jointly and severally, to pay, or reimburse the Collateral Agent for any and all reasonable fees, costs and expenses of whatever kind or nature incurred in connection with the creation, preservation or protection of the Collateral Agent's Liens on, and security interest in, the Collateral, including, without limitation, all fees and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of any taxes or Liens upon or in respect of the Collateral, premiums for insurance with respect to the Collateral and all other reasonable out-of-pocket fees, costs and expenses in connection with protecting, maintaining or preserving the Collateral and the Collateral Agent's interest therein, whether

through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Collateral.

(c) If and to the extent that the Obligations of any Assignor under this Section 8.1 are unenforceable for any reason, such Assignor hereby agrees to make the maximum contribution to the payment and satisfaction of such Obligations which is permissible under applicable law.

8.2. Indemnity Obligations Secured by Collateral; Survival. Any amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement shall constitute Obligations secured by the Collateral. The indemnity obligations of each Assignor contained in this Article VIII shall continue in full force and effect notwithstanding the full payment of all of the other Obligations and notwithstanding the full payment of all the Notes issued under the Credit Agreement, the termination of all Interest Rate Protection Agreements and Other Hedging Agreements and all Letters of Credit and the payment of all other Obligations and notwithstanding the discharge thereof.

ARTICLE IX

DEFINITIONS

The following terms shall have the meanings herein specified. Such definitions shall be equally applicable to the singular and plural forms of the terms defined.

"Administrative Agent" shall have the meaning provided in the recitals of this Agreement.

"Agreement" shall mean this Security Agreement as the same may be modified, supplemented or amended from time to time in accordance with its terms.

"Assignor" shall have the meaning provided in the first paragraph of this Agreement.

"Borrower" shall have the meaning provided in the recitals of this Agreement.

"Cash Collateral Account" shall mean a cash collateral account maintained with, and in the sole dominion and control of, the Collateral Agent for the benefit of the Secured Creditors.

"Chattel Paper" shall have the meaning provided in the UCC as in effect on the date hereof in the State of New York.

"Class" shall have the meaning provided in Section 10.2 of this Agreement.

"Collateral" shall have the meaning provided in Section 1.1(a) of this Agreement.

"Collateral Agent" shall have the meaning provided in the first paragraph of this Agreement.

"Contract Rights" shall mean all rights of any Assignor under each Contract, including, without limitation, (i) any and all rights to receive and demand payments under any or all Contracts, (ii) any and all rights to receive and compel performance under any or all Contracts and (iii) any and all other rights, interests and claims now existing or in the future arising in connection with any or all Contracts.

"Contracts" shall mean all contracts between any Assignor and one or more additional parties (including, without limitation, any Interest Rate Protection Agreements or Other Hedging Agreements and any partnership agreements, joint venture agreements, limited liability company agreements and licensing agreements), but excluding any contract to the extent that the terms thereof prohibit (after giving effect to any approvals or waivers) the assignment of, or granting a security interest in, such contract (it being understood and agreed, however, that notwithstanding the foregoing, all rights to payment for money due or to become due pursuant to any such excluded contract shall be subject to the security interests created by this Agreement).

"Copyrights" shall mean any United States copyright owned by any Assignor, including any registrations of any Copyrights, in the United States Copyright Office or any foreign equivalent office, as well as any application for a copyright registration now or hereafter made by any Assignor with the United States Copyright Office or any foreign equivalent office.

"Credit Agreement" shall have the meaning provided in the recitals of this Agreement.

"Credit Document Obligations" shall have the meaning provided in the definition of "Obligations" in this Article IX.

"Default" shall mean any event which, with notice or lapse of time, or both, would constitute an Event of Default.

"Documentation Agent" shall have the meaning provided in the recitals of this Agreement.

"Documents" shall have the meaning provided in the UCC as in effect on the date hereof in the State of New York.

"Equipment" shall mean any "equipment," as such term is defined in the UCC as in effect on the date hereof in the State of New York, now or hereafter owned by any Assignor and, in any event, shall include, but shall not be limited to, all machinery, equipment, furnishings, fixtures and vehicles now or hereafter owned by any Assignor and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"Event of Default" shall mean any Event of Default under, and as defined in, the Credit agreement and shall in any event include, without limitation, any payment default on any of the Other Obligations after the expiration of any applicable grace period.

"General Intangibles" shall have the meaning provided in the UCC as in effect on the date hereof in the State of New York (and shall include all partnership interests and all limited liability company and membership interests).

"Goods" shall have the meaning provided in the UCC as in effect on the date hereof in the State of New York.

"Indemnitee" shall have the meaning provided in Section 8.1 of this Agreement.

"Instrument" shall have the meaning provided in the UCC as in effect on the date hereof in the State of New York.

"Inventory" shall mean merchandise, inventory and goods, and all additions, substitutions and replacements thereof, wherever located, together with all goods, supplies, incidentals, packaging materials, labels, materials and any other items used or usable in manufacturing, processing, packaging or shipping same, in all stages of production -- from raw materials through work-in-process to finished goods -- and all products and proceeds of whatever sort and wherever located and any portion thereof which may be returned, rejected, reclaimed or repossessed by the Collateral Agent from any Assignor's customers, and shall specifically include all "inventory" as such term is defined in the UCC as in effect on the date hereof in the State of New York, now or hereafter owned by any Assignor.

"Investment Property" shall have the meaning provided in the UCC as in effect on the date hereof in the State of New York.

"Lender Creditors" shall have the meaning provided in the recitals of this Agreement.

"Lenders" shall have the meaning provided in the recitals of this Agreement.

"Liens" shall mean any security interest, mortgage, pledge, lien, claim, charge, encumbrance, title retention agreement, lessor's interest in a financing lease or analogous instrument in, of, or on any Assignor's property.

"Marks" shall mean all right, title and interest in and to any trademarks, service marks and trade names now held or hereafter acquired by any Assignor, including any registration of any trademarks and service marks in the United States Patent and Trademark Office or in any equivalent foreign office and any trade dress including logos and/or designs used by any Assignor.

"Obligations" shall mean (i) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and indebtedness (including, without limitation, indemnities, fees and interest thereon) of each Assignor to the Lender of Creditors, whether now existing or hereafter incurred under, arising out of, or in connection with the Credit Agreement and the other Credit Documents to which such Assignor is a party (including all such obligations and indebtedness of such Assignor under its Guaranty) and the due performance and compliance by such Assignor with all of the terms, conditions and agreements contained in the Credit Agreement and such other Credit Documents (all such obligations and

liabilities under this clause (i), except to the extent consisting of obligations or indebtedness with respect to Interest Rate Protection Agreements or Other Hedging Agreements, being herein collectively called the "Credit Document Obligations"); (ii) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and liabilities owing by such Assignor to the Other Creditors under, or with respect to (including by reason of any Guaranty to which such Assignor is a party), any Interest Rate Protection Agreement and Other Hedging Agreement, whether such Interest Rate Protection Agreement or Other Hedging Agreement is now in existence or hereafter arising, and the due performance and compliance by such Assignor with all of the terms, conditions and agreements contained therein (all such obligations and liabilities described in this clause (ii) being herein collectively called the "Other Obligations"); (iii) any and all sums advanced by the Collateral Agent in order to preserve the Collateral or preserve its security interest in the Collateral; (iv) in the event of any proceeding for the collection or enforcement of any indebtedness, obligations, or liabilities of such Assignor referred to in clauses (i) and (ii) above, after an Event of Default shall have occurred and be continuing, the reasonable expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the Collateral Agent of its rights hereunder, together with reasonable attorneys' fees and court costs; and (v) all amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement under Section 8.1 of this Agreement; it being acknowledged and agreed that the "Obligations" shall include extensions of credit of the types described above, whether outstanding on the date of this Agreement or extended from time to time after the date of this Agreement.

"Other Creditors" shall have the meaning provided in the recitals of this Agreement.

"Other Obligations" shall have the meaning provided in the definition of "Obligations" in this Article IX.

"Patents" shall mean any patent to which any Assignor now or hereafter has title and any divisions or continuations thereof, as well as any application for a patent now or hereafter made by any Assignor.

"Permits" shall mean any and all actions, approvals, certificates, consents, waivers, exemptions, variances, franchises, orders, permits, authorizations, rights or licenses of or from any governmental authority or agency.

"Primary Obligations" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Pro Rata Share" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Proceeds" shall have the meaning provided in the UCC as in effect in the State of New York on the date hereof or under other relevant law and, in any event, shall include, but not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Collateral Agent or any Assignor from time to time with respect to any of the Collateral,

(ii) any and all payments (in any form whatsoever) made or due and payable to any Assignor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any person acting under color of governmental authority) and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Receivables" shall mean any "account" as such term is defined in the UCC as in effect on the date hereof in the State of New York, now or hereafter owned by any Assignor and, in any event, shall include, but shall not be limited to, all of such Assignor's rights to payment for goods sold or leased or services performed by such Assignor, whether now in existence or arising from time to time hereafter, including, without limitation, rights evidenced by an account, note, contract, security agreement, chattel paper, or other evidence of indebtedness or security, together with (a) all security pledged, assigned, hypothecated or granted to or held by such Assignor to secure the foregoing, (b) all of any Assignor's right, title and interest in and to any goods, the sale of which gave rise thereto, (c) all guarantees, endorsements and indemnifications on, or of, any of the foregoing, (d) all powers of attorney for the execution of any evidence of indebtedness or security or other writing in connection therewith, (e) all books, records, ledger cards, and invoices relating thereto, (f) all evidences of the filing of financing statements and other statements and the registration of other instruments in connection therewith and amendments thereto, notices to other creditors or secured parties, and certificates from filing or other registration officers, (g) all credit information, reports and memoranda relating thereto and (h) all other writings related in any way to the foregoing.

"Representative" shall have the meaning provided in Section 7.4(e) of this Agreement.

"Required Secured Creditors" shall mean (i) the Required Lenders (or, to the extent required by Section 13.12 of the Credit Agreement, each of the Lenders) under the Credit Agreement so long as any Credit Document Obligations remain outstanding and (ii) in any situation not covered by the preceding clause (i), the holders of a majority of the outstanding principal amount of the Other Obligations.

"Requisite Creditors" shall have the meaning provided in Section 10.2 of this Agreement.

"Secondary Obligations" shall have the meaning provided in Section 7.4(b) of this Agreement.

"Secured Creditors" shall have the meaning provided in the recitals of this Agreement.

"Secured Debt Agreements" shall mean and include this Agreement, the other Credit Documents and the Interest Rate Protection Agreements and Other Hedging Agreements.

"Syndication Agent" shall have the meaning provided in the recitals of this Agreement.

"Termination Date" shall have the meaning provided in Section 10.8 of this Agreement.

"Trade Secret Rights" shall have the meaning provided in Section 5.1 of this Agreement.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in the relevant jurisdiction.

ARTICLE X

MISCELLANEOUS

10.1. Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made when delivered to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement, addressed as follows:

(a) if to any Assignor, at the address set forth opposite such Assignor's signature below;

(b) if to the Collateral Agent, at:

Bankers Trust Company
One Bankers Trust Plaza
130 Liberty Street
New York, New York 10006
Attention: Mary Kay Coyle
Tel. No.: (212) 250-9094
Fax. No.: (212) 250-7218

(c) if to any Lender Creditor, at such address as such Lender Creditor shall have specified in the Credit Agreement;

(d) if to any Other Creditor, at such address as such Other Creditor shall have specified in writing to each Assignor and the Collateral Agent;

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder.

10.2. Waiver; Amendment. None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by each Assignor directly effected thereby and the Collateral Agent (with the written consent of the Required Secured Creditors); provided, however, that any change, waiver, modification or variance affecting the rights and benefits of a single Class of Secured Creditors (and not all Secured Creditors in a like or similar manner) shall require the written consent of the

Requisite Creditors of such affected Class. For the purpose of this Agreement, the term "Class" shall mean each of the two following classes of Secured Creditors, i.e., whether (x) the Lender Creditors as holders of the Credit Document Obligations or (y) the Other Creditors as the holders of the Other Obligations. For the purpose of this Agreement, the term "Requisite Creditors" of any Class shall mean each of (x) with respect to the Credit Document Obligations, the Required Lenders and (y) with respect to the Other Obligations, the holders of at least a majority of all Obligations outstanding from time to time under the respective Interest Rate Protection Agreements or Other Hedging Agreements.

10.3. Obligations Absolute. The Obligations of each Assignor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of such Assignor; (b) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of this Agreement or any other Secured Debt Agreement; or (c) any amendment to or modification of any Secured Debt Agreement or any security for any of the Obligations; whether or not such Assignor shall have notice or knowledge of any of the foregoing.

10.4. Successors and Assigns. This Agreement shall be binding upon each Assignor and its successors and assigns (although no Assignor may assign its rights and obligations hereunder except in accordance with the provisions of the Secured Debt Agreements) and shall inure to the benefit of and be enforceable by the Collateral Agent and the Secured Creditors and their respective successors and assigns. All agreements, statements, representations and warranties made by each Assignor herein or in any certificate or other instrument delivered by such Assignor or on its behalf under this Agreement shall be considered to have been relied upon by the Secured Creditors and shall survive the execution and delivery of this Agreement and the other Secured Debt Agreements regardless of any investigation made by the Secured Creditors or on their behalf.

10. 5. Headings Descriptive. The headings of the several sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

10.6. Governing Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

10.7. Assignor's Duties. It is expressly agreed, anything herein contained to the contrary notwithstanding, that each Assignor shall remain liable to perform all of the obligations, if any, assumed by it with respect to the Collateral and the Collateral Agent shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Agreement, nor shall the Collateral Agent be required or obligated in any manner to perform or fulfill any of the obligations of any Assignor under or with respect to any Collateral.

10.8. Termination; Release. (a) After the Termination Date, this Agreement shall terminate (provided that all indemnities set forth herein including, without limitation, in Section 8.1 hereof shall survive such termination) and the Collateral Agent, at the request and expense of

the respective Assignor, will promptly execute and deliver to such Assignor a proper instrument or instruments (including Uniform Commercial Code termination statements on form UCC-3) acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to such Assignor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Collateral Agent and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement. As used in this Agreement, "Termination Date" shall mean the date upon which the Total Commitment and all Interest Rate Protection Agreements and Other Hedging Agreements have been terminated, no Note is outstanding (and all Loans have been repaid in full), all Letters of Credit have been terminated and all Obligations then owing have been paid in full.

(b) In the event that any part of the Collateral is sold in connection with a sale permitted by Section 9.02 of the Credit Agreement (other than a sale to any Assignor or a Subsidiary thereof) or otherwise released at the direction of the Required Secured Creditors and the proceeds of such sale or sales or from such release are applied in accordance with the provisions of the Credit Agreement, to the extent required to be so applied, such Collateral will be sold free and clear of the Liens created by this Agreement and the Collateral Agent, at the request and expense of the relevant Assignor, will duly assign, transfer and deliver to such Assignor (without recourse and without any representation or warranty) such of the Collateral as is then being (or has been) so sold or released and as may be in the possession of the Collateral Agent and has not theretofore been released pursuant to this Agreement.

(c) At any time that an Assignor desires that the Collateral Agent take any action to acknowledge or give effect to any release of Collateral pursuant to the foregoing Section 10.8(a) or (b), such Assignor shall deliver to the Collateral Agent a certificate signed on behalf of such Assignor by a principal executive officer of such Assignor stating that the release of the respective Collateral is permitted pursuant to Section 10.8(a) or (b), as the case may be.

10.9. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with each Assignor and the Collateral Agent.

10.10. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.11. The Collateral Agent. The Collateral Agent will hold in accordance with this agreement all items of the Collateral at any time received under this Agreement. It is expressly understood and agreed that the Obligations of the Collateral Agent as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement and in Section 12 of the

Credit Agreement. The Collateral Agent shall act hereunder and thereunder on the terms and conditions set forth herein and in Section 12 of the Credit Agreement.

10.12. Additional Assignors. It is understood and agreed that any Subsidiary of Holdings that is required to execute a counterpart of this Agreement after the date hereof pursuant to the Credit Agreement shall automatically become an Assignor hereunder by executing a counterpart hereof and delivering the same to the Collateral Agent.

* * *

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

Address:
- -------

Three Imperial Promenade
Suite 600
Santa Ana, California 92707
Attention:
Telephone:

Telecopier

RC TRANSACTION CORP.,
as a Pledgor

By /s/ Stephen Giusto

Title:

Three Imperial Promenade
Suite 600
Santa Ana, California 92707
Attention:
Telephone:

Telecopier

RCLLC ACQUISITION CORP.,
as a Pledgor

By /s/ Stephen Giusto

Title:

Three Imperial Promenade
Suite 600
Santa Ana, California 92707
Attention:
Telephone:

Telecopier

RE:SOURCES CONNECTION LLC,
as a Pledgor

By /s/ Stephen Giusto

Title:

Accepted and Agreed to:

BANKERS TRUST COMPANY,
as Pledgee

By /s/ Mary Kay Coyle

Title:

EXHIBIT 10.10

SUBLEASE

ENTERPRISE PROFIT SOLUTIONS CORPORATION,

Sublessor

to

RE:SOURCES CONNECTION LLC,

Sublessee

dated as of

March 1, 2000

SUBLEASE

THIS SUBLEASE is dated as of March 1, 2000 (the "Execution Date") between ENTERPRISE PROFIT SOLUTIONS CORPORATION, a Delaware corporation ("Sublessor") and RE:SOURCES CONNECTION LLC, a Delaware limited liability company("Sublessee"), and is entered into on the basis of the following facts, intentions and understandings:

A. Sublessor is the tenant under that certain Office Lease dated July 20,1998, as amended by that First Amendment to Lease dated January 8, 1999 (the "Master Lease"), with One Town Center Associates, a California general partnership, as the landlord (the "Landlord"), under which Sublessor leases those certain premises as described in the Master Lease (the Master Premises), which are located in that certain office building located at 695 Town Center Drive, Costa Mesa, California (the "Building").

B. Sublessee desires to sublease from Sublessor on the terms and conditions of this Sublease that portion of the Master Premises as described on attached Exhibit A (the "Premises") consisting of approximately 16,366 rentable square
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feet.

FOR GOOD AND VALUABLE CONSIDERATION, the adequacy and sufficiency of which is acknowledged, Sublessor and Sublessee agrees as follows:

ARTICLE 1. BASIC TERMS AND CONDITIONS. For purposes of this Sublease, the
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following terms shall have the following meanings:

1.1	Execution Date:	March 1, 2000.
1.2	Sublessor:	Enterprise Profit Solutions Corporation, a Delaware corporation
1.3	Sublessee:	Re:sources Connection LLC, a Delaware limited liability company
1.4	Landlord:	One Town Center Associates, a California partnership
1.5	Sublessor's Address For Rent:	Attention: Mark Coleman 695 Town Center Drive, Suite 700 Costa Mesa, CA 92626-1924

1.6	Sublessor's Address For Notices:	Attention: Mark Coleman 695 Town Center Drive Suite 700 Costa Mesa, CA 92626-1924
1.7	Sublessee's Address For Notices:	Attention: Steve Giusto 695 Town Center Drive, Suite 600 Costa Mesa, CA 92626-1924
1.8	Master Lease:	The Lease, dated July 20, 1998 as amended by the First Amendment to Lease dated January 8, 1999.
1.9	Building:	The Building (as defined in the Master Lease) and commonly known as 695 Town Center Drive, Costa Mesa, California.
1.10	Master Premises:	As described in the Master Lease.
1.11	Premises:	A portion of the Master Premises consisting of approximately 16,366 square feet of net rentable area on the 6th floor of the Building and more particularly described on the floor plan attached as Exhibit A.
1.12	Commencement Date:	May 1, 2000.
1.13	Expiration Date:	April 30, 2005.
1.14a	Extension Option:	One (1) option to extend Term for approximately fifty (50) months.

1.14b Base Rent:

Period	Annual	Monthly
Initial Term	1-60	$451,701.60	$37,641.80
Extension Period	61-110	FMV	FMV

1.15 First Month's Rent: $ 37,641.80

1.16 Base Year: 2000

1.17 Security Deposit: $41,405.98

1.18 Excluded Provisions: See attached Exhibit B.

ARTICLE 2. MASTER LEASE

2.1 Sublessor is the tenant under the Master Lease wherein Landlord (as defined in Section 1.4) leased to Sublessor the Master Premises (as defined in Section 1.10) in the Building (as defined in Section 1.9) with respect to the Master Lease (as defined in Section 1.8) A true, correct and complete copy of the Master Lease has been delivered to Sublessee. For purposes of this Sublease, capitalized terms shall have the meaning ascribed to such terms in the applicable Section of Article 1 to this Sublease.

ARTICLE 3. PREMISES.

3.1 Sublessor hereby subleases to Sublessee, and Sublessee hereby takes and hires from Sublessor, on the terms and conditions set forth in this Sublease, the Premises (as defined in Section 1.11).

ARTICLE 4. TERM.

4.1 Initial Term. The Term of this Sublease shall, subject to the last sentence of this Section 4.1, commence on the Commencement Date and shall continue, unless otherwise sooner terminated in accordance with provisions of this Sublease or at law, until the Expiration Date (as defined in Section 1.13). If for any reason Sublessor does not deliver possession of the Premises ("Possession") to Sublessee on the Commencement Date, Sublessor shall not be subject to any liability for such failure and the validity of this Sublease shall not be impaired, but rent shall abate until delivery of Possession; however, if Sublessor cannot deliver possession of the Premises to Sublessee by 5:00 p.m. on June 1, 2000, Sublessee may elect to either terminate this Sublease upon written notice to Sublessor given within five (5) days after such date (as such date may be extended), or extend the time for Sublessor to deliver the premises for not to exceed 30 days.

4.2 Option to Extend Term.

4.2.1 Provided Sublessee is not in default under this Sublease, Sublessee shall have one (1) option to extend the Term of this Lease ("Extension Option") for the remainder of the term of the Master Lease (approximately fifty (50) months) (the "Extension Period").

4.2.2 The Extension Option shall be exercisable by Sublessee giving written notice ("Exercise Notice") to Sublessor no later than the later of (i) five days after Sublessee receives written notice of the determination of the FMRR under Section 5.3.3, or (ii) December 31, 2004.

4.2.3 Before delivery of its Exercise Notice, Sublessee shall deliver to Sublessor at least 60 days before Sublessee intends to deliver its Exercise Notice, a notice of intent to exercise ("Notice of Intent") to allow for the determination of the FMRR (as defined in Section 5.3.2).

4.2.4 Any extension of the Term of this Sublease shall be upon and subject to all of the terms and conditions set forth in the Lease except that the Base Rent shall be adjusted as provided in Section 5.3 below.

ARTICLE 5. RENT.

5.1 Base Rent.

5.1.1 Sublessee shall pay that amount of Base Rent as provided in Section 1.14b to Sublessor without deduction, abatement, setoff, notice, or demand, at Sublessor's Address for Rent (as described in Section 1.5) or at such other place as Sublessor shall designate from time to time by notice to Sublessee, in lawful money of the United States of America.

5.1.2 Sublessee shall pay to Sublessor, as rent for the first month of the Term, upon the execution of this Sublease, the First Month's Rent (as defined in Section 1.15) in respect of the Base Rent. If the Term begins or ends on a day other than the first or last day of a month, the rent for the partial months shall be prorated on a per diem basis.

5.2 Additional Rent. In addition to Base Rent and any other sums which Sublessee may be obligated to pay pursuant to any other provision of this Sublease, Sublessee shall pay to Sublessor as additional rent hereunder all amounts payable by Sublessor under the Master Lease on account of real estate tax pass-throughs, operating expense pass-throughs and utility charges in excess of the total of those amounts for the Base Year (as defined in Section 1.16). For purposes of this Sublease, the amounts payable by Sublessee in addition to the Base Rent are sometimes hereinafter referred to as "Additional Rent".

5.3 Rent During Extension Period.

5.3.1 On the first day of the Extension Period ("Extension

Commencement Date"), the Base Rent shall become the greater of (i) the amount of the Base Rent in effect immediately prior to the commencement of the Extension Period, or (ii) the FMRR for the Premises.

5.3.2 For purposes hereof the fair market rental rate for the Premises ("FMRR") shall mean the annual amount per rentable square foot that a willing subtenant would pay and a willing sublandlord would accept, at arms length, for a new fifty (50) month sublease on comparable terms and for comparable space in the Building and in other buildings in the vicinity of the Premises on a nonrenewal, nonexpansion, but sublease basis, for delivery on or about the Extension Commencement Date of the Extension Period, giving appropriate consideration to annual rental rates, the types of escalation clauses (including fixed increases, CPI increases, operating expense, property tax and other pass-throughs), free rent and other rent concessions, tenant improvements and/or condition of the respective premises, the size and location of the premises and other generally applicable lease terms for comparable premises and leases.

5.3.3 Sublessor and Sublessee shall endeavor to reach agreement upon the FMRR for the Extension Period no later than fifteen (15) days after Sublessee's delivery of the Notice of Intent under Section 4.2.3. If within such 15-day period the parties have been unable to agree upon the FMRR, then the FMRR shall be determined in the following manner. Within 10 days after expiration of the 15-day period, each party shall select one broker, which two brokers shall together promptly select a third broker within ten (10) days. The three brokers so selected shall, within 20 days after the selection of the last broker, render their determination of the FMRR of the Premises for the Extension Period based upon the criteria set forth in Section 5.3.2 above and deliver written notice of such determination to both Sublessor and Sublessee. Each party shall pay the fees of the broker selected by it and one-half of the fees of the third broker. The FMRR shall be the middle determination if the high and low determination are equidistant from such middle determination or shall otherwise be the average of the amounts determined by those two brokers whose determinations are closest in value.

5.3.4 Any broker selected pursuant to this paragraph 4.2, shall be California licensed real estate agent, and shall have at least five years experience in leasing commercial office space in the South Coast Metro market area. If either Sublessor or Sublessee fails to appoint a broker within the time required above, then the qualified broker selected by the other party shall determine the FMRR for the applicable Extension Period and the determination of that one broker shall be binding on both parties.

5.4 Rent Defined. All monetary obligations of Sublessee to Sublessor under the terms of this Sublease, except for the Security Deposit, parking, and telephone usage payments, but including Base Rent and Additional Rent are deemed to be rent ("Rent"). Rent shall be payable in lawful money of the United States to Sublessor at the address

stated herein or to such other persons or at such other places as Sublessor may designate in writing.

ARTICLE 6. USE OF PREMISES.

6.1 Use. The Premises shall be used and occupied for general business office purposes only and otherwise to the extent permitted pursuant to the terms of the Master Lease and for no other use or purpose.

6.2 Compliance. Sublessor warrants that the improvements on the Premises comply with all applicable covenants or restrictions of record and applicable building codes, regulations and ordinances ("Applicable Requirements") in effect on the Commencement Date. Said warranty does not apply to the use to which Sublessee will put the Premises or to any alterations or utility installments made or to be made by Sublessee. NOTE. Sublessee is responsible for determining whether or not the zoning is appropriate for its intended use, and acknowledges that past uses of the Premises may no longer be allowed. If the Premises do not comply with said warranty, or in the event that the Applicable Requirements are hereafter changes, the rights and obligations of Sublessor and Sublessee shall be as provided in the Master Lease.

6.3 Acceptance of Premises and Master Lease. Sublessee acknowledges that:

(a) it has been advised by Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with the Americans with Disabilities Act (ADA) and other Applicable Requirements), and their suitability for Sublessee's intended use;

(b) Sublessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises; and

(c) neither Sublessor nor Sublessee's agent, nor any Broker has made any oral or written representations or warranties with respect to said matters other than as set forth in this Sublease.

ARTICLE 7. ASSIGNMENT AND SUBLETTING.

7.1 Consent Required. In addition to satisfying the requirements of the Master Lease, Sublessee shall not, without the prior written consent of the Landlord and the Sublessor, which consent shall not be unreasonably withheld, conditioned or delayed, by operation of law or otherwise, assign, mortgage, pledge, encumber or in any manner

transfer this Sublease, or any part thereof or any interest of Sublessee hereunder or sublet or permit the Premises or any part thereof to be used or occupied by others.

7.2 Transfer's Without Landlord's Consent. Notwithstanding the foregoing, Sublessee may, without Landlord's and Sublessor's prior consent, assign this Lease or sublet all or any portion of the Premises to any corporation, partnership, limited liability company, trust, association or other business organization which directly or indirectly controls, or is directly or indirectly controlled by, or is under direct or indirect common control with Sublessee ("Sublessee's Affiliate"), or which is a successor by merger, consolidation, corporate reorganization or acquisition of all or substantially all of the assets of, or equity ownership interest in Sublessee or Sublessee's Affiliate, including without limitation, pursuant to an initial public offering, provided that any such successor by merger, consolidation, corporate reorganization, acquisition of assets, sale, issue or transfer, has a net worth at time of such merger, consolidation, reorganization, acquisition, sale, issue or transfer equal to or greater than the lesser of (A) the net worth of Sublessee immediately proceeding such assignment or sublease, or (B) the net worth of Sublessee as of the Commencement Date, and Landlord and Sublessor receive prior notice of such assignment or sublease.

ARTICLE 8. APPLICATION OF OTHER PROVISIONS OF MASTER LEASE.

8.1 Incorporation of Master Lease Provisions. All applicable terms and conditions of the Master Lease are incorporated into and made a part of this Sublease as if Sublessor were the "Landlord" thereunder (except that for purposes of the insurance to be provided and indemnities given by Sublessee, both Landlord and Sublessor shall be included); Sublessee, the "Tenant" thereunder; the Premises, the "Premises" thereunder; and this Sublease, the "Lease" thereunder, except for those Excluded Provisions as described in attached Exhibit B.

8.2 Sublessor's Efforts. In connection with the incorporation of the Master Lease, the term "Landlord" shall be deemed, for the purposes of this Sublease, to mean "Sublessor shall use its best efforts, without, however, incurring any liabilities or expenses not otherwise provided for in the Master Lease or this Sublease, to ensure that Landlord" whenever such a modification is required so that an incorporated provision reflects the agreement of the parties hereto as expressed in this Article 8. Sublessor covenants not to allow or permit the early termination of the Master Lease without Sublessee's prior written consent, which may be withheld in its sole discretion.

8.3 Sublessor's Obligations to Tenants. Sublessee assumes and agrees to perform the Sublessor's obligations under the Master Lease to the extent incorporated herein during the Term and to the extent such obligations are applicable to the Premises, except that the obligation to pay rent to Landlord under the Master Lease shall be considered

performed by Sublessee to the extent and in the amount rent is paid to Sublessor in accordance with Article 5 of this Sublease. Sublessee shall not commit or suffer any act or omission that will violate any of the provisions of the Master Lease. Sublessor shall exercise due diligence in attempting to cause Landlord to perform its obligations under the Master Lease for the benefit of Sublessee. Except as may otherwise be specifically provided herein, if the Master Lease terminates, this Sublease shall terminate and the parties shall be relieved of any further liability or obligation under this Sublease, provided, however, that if the Master Lease terminates as a result of a default or breach by Sublessor or Sublessee under this Sublease and/or the Master Lease, then the defaulting party shall be liable to the non-defaulting party for the damage suffered as a result of such termination, except that Sublessor shall be permitted to agree with Landlord to terminate the Master Lease without liability to Sublessee provided Landlord is prepared to enter into a direct lease with Sublessee on the same economic terms as contained in this Sublease. Notwithstanding the foregoing, if the Master Lease gives Sublessor any right to terminate the Master Lease in the event of the partial or total damage, destruction, or condemnation of the Premises or the Building or project of which the Premises are a part or otherwise, Sublessor shall exercise such right only after first obtaining written approval from, and consulting with, Sublessee.

8.4 Landlord's Default. If Landlord shall default in any of its obligations to Sublessor with respect to the Premises, Sublessee shall be entitled to participate with Sublessor in the enforcement of Sublessor's rights against Landlord, but Sublessor shall have no obligation to bring any action or proceeding or to take any steps to enforce Sublessor's rights against Landlord. If, after written request from Sublessee, Sublessor shall fail or refuse to take appropriate action for the enforcement of Sublessor's rights against Landlord with respect to the Premises within a reasonable period of time considering the nature of Landlord's default, Sublessee shall have the right to take such action in its own name, and for that purpose and only to such extent, all of the rights of Sublessor under the Master Lease hereby are conferred upon and assigned to Sublessee and Sublessee hereby is subrogated to such rights to the extent that the same shall apply to the Premises. If any such action against Landlord in Sublessee's name shall be barred by reason of lack of privity, non-assignability or otherwise, Sublessee may take such action in Sublessor's name and provided Sublessee has obtained the prior written consent of Sublessor which consent shall not be unreasonably withheld, conditioned or delayed. The failure of Landlord to make such repairs, comply with such obligations or provide any such services and/or utilities shall not result in any claim or right of action of Sublessee against Sublessor or entitle Sublessee to withhold or otherwise reduce any rent or other payments to be made to Sublessor pursuant to the terms of this Sublease, unless (i) Sublessor is in default under the Master Lease or this Sublease, or (ii) Sublessor is permitted to withhold or reduce rent under the Master Lease.

8.5 Conflict. If there is any conflict between the terms and provisions of this Sublease and the terms and provisions of the Master Lease, the terms and provisions of this Sublease shall control if the terms and provisions of this Sublease are more restrictive than the terms and provisions of the Master Lease and such interpretation does not cause a default under the Master Lease, otherwise the terms and provisions of the Master Lease shall control.

ARTICLE 9. BROKER.

9.1 Sublessor is obligated to pay a brokerage fee pursuant to separate agreement to CB Richard Ellis and the Gibson Company (each a "Broker"). Except as provided by the foregoing, each party warrants and represents to the other that such party dealt with no other broker in connection with this sublease transaction and, to that party's knowledge, no other broker is entitled to a commission in connection herewith. Each party agrees to indemnify and save harmless from and against any and all loss, damage, cost and expense, including reasonable attorneys' fees, arising as a result of such party's representation set forth in the first sentence of this Section 9.1 being inaccurate.

ARTICLE 10. ATTORNEYS' FEES.

10.1. If Sublessor or Sublessee shall commence an action against the other arising out of or in connection with this Sublease, the prevailing party shall be entitled to recover its costs of suit and reasonable attorneys' fees.

ARTICLE 11. NOTICES.

11.1 All notices and demands which may be or are required or permitted to be given by either party to the other hereunder shall be in writing and shall be deemed received three business days after mailing. All notices and demands under the Sublease shall be sent by a recognized commercial carrier, addressed to the intended party at the address set forth in the applicable subsection of Article 1 above , or to such other place as Sublessee may from time to time designate in a notice to Sublessor.

ARTICLE 12. SUBLESSOR'S CONSENT.

12.1 Sublessor and Sublessee covenant and agree that wherever Landlord's consent or approval is required under the terms of the Master Lease, Sublessee must obtain both Landlord's and Sublessor's consent or approval (as the case may be) to such act and it shall be a condition precedent to Sublessor's obligation to consider consenting to or approving such act that Sublessee first obtain Landlord's consent or approval (as the case may be). If the Landlord does not give its consent or approval (as the case may be) to such act, Sublessee acknowledges and agrees that Sublessor may arbitrarily and unreasonably

withhold, condition or delay its consent to such act. If Landlord gives its consent or approval (as the case may be) to such act, Sublessor shall (except as otherwise specifically set out in this Sublease to the contrary) also consent or approve such act.

ARTICLE 13. CONSENT AND NONDISTURBANCE BY LANDLORD.

13.1 This Sublease shall be of no force or effect unless Sublessor receives a written consent to this Sublease, in form and substance reasonably satisfactory to Sublessor and Sublessee in all respects, from the Landlord within thirty (30) days after execution hereof by both Sublessor and Sublessee. In connection therewith, Sublessee shall, (a) upon the request of Sublessor, promptly furnish to Sublessor all information pertaining to the Sublessee reasonably requested by Landlord pursuant to the terms of the Master Lease, and (b) reasonably cooperate with Sublessor in its efforts to obtain written consent to this Sublease from Landlord.

13.2 Sublessor shall incur no liability in the event the consent of the Master Lessor cannot be obtained.

13.3 In the event that Master Lessor does give such consent then:

13.3.1 Such consent shall not release Sublessor of its obligations or alter the primary liability of Sublessor to pay the Rent and perform and comply with all of the obligations of Sublessor to be performed under the Master Lease.

13.3.2 The acceptance of Rent by Master Lessor from Sublessee or anyone else liable under the Master Lease shall not be deemed a waiver by Master Lessor of any provisions of the Master Lease.

13.3.3 The consent to this Sublease shall not constitute consent to any subsequent subletting or assignment.

13.3.4 Master Lessor may consent to subsequent sublettings and assignments of the Master Lease or this Sublease or any amendments or modifications thereto without notifying Sublessor or anyone else liable under the Master Lease and without obtaining their consent and such action shall not relieve such persons from liability. A month-to-month tenancy of less than 50% of the subleased space shall not be considered to be a sublease by Sublessee.

13.4 Upon the request of Sublessee, which may be exercised in its sole discretion, and as a condition to the effectiveness of this Sublease for Sublessee's benefit, Landlord

shall deliver to Sublessee a nondisturbance agreement (in form and substance reasonably satisfactory to Sublessee) under which Landlord agrees not to disturb Sublessee's tenancy so long as Sublessee is not in default under this Sublease notwithstanding that Sublessor may be in default under the Master Lease.

ARTICLE 14. SUBORDINATION TO MASTER LEASE.

14.1 Sublessee acknowledges and agrees that this Sublease and the estate hereby granted are subject and subordinate to all of the terms, covenants, provisions, conditions and agreements contained in the Master Lease and to all leases, mortgages, encumbrances and other agreements and/or matters to which the Master Lease is now or may hereafter become subject and subordinate. This clause shall be self-operative and no further instrument of subordination shall be required. Sublessee shall, however, execute any certificates confirming such subordination which Sublessor may request within ten (10) days after receipt of such request, provided Landlord delivers to Sublessee its nondisturbance agreement in commercially reasonable form. Sublessee also agrees that this Sublease shall be subject and subordinate to the Master Lease as the same may hereafter be amended or modified; provided, however, that no such amendment or modification shall either increase the obligations of Sublessee hereunder or adversely affect Sublessee's rights, powers or privileges hereunder.

ARTICLE 15. SUBLESSOR'S REPRESENTATIONS AND WARRANTIES.

15.1 Sublessor represents and warrants to Sublessee that the following are true and correct as of the date hereof:

(i) except as indicated herein, the Master Lease is unmodified and in full force and effect, and Sublessor's leasehold estate with respect to the Premises has not been assigned, mortgaged, pledged, encumbered, or otherwise transferred or sublet, in whole or in part except to Sublessee;

(ii) the Master Lease evidences the entire written agreement with respect to the Premises between Sublessor and Landlord;

(iii) all rent and additional rent billed to date and payable by Sublessor, as "Tenant" under the Master Lease, has been paid, and Sublessor, as "Tenant" under the Master Lease, will continue to make all payments as they become due and payable under the Master Lease, provided Sublessee is not in default hereunder;

(iv) Sublessor has received no written notice from Landlord of default by Sublessor under the Master Lease which remains uncured; and

(v) Sublessor, to the best of Sublessor's knowledge, is not in default under the Master Lease.

The aforesaid representations and warranties shall be deemed repeated as of the Commencement Date.

ARTICLE 16. PARKING.

16.1 A total of 65 parking spaces shall be available for Sublessee and its employees, with 10 reserved spaces located in the subterranean parking garage at 695 Town Center Drive, and 10 reserved spaces and 45 unreserved spaces located in the One Town Center parking structure. All parking rights to be granted upon approval by Master Lessor who will bill all charges for the aforementioned parking spaces to Sublessor. Sublessor will invoice Sublessee on a monthly basis for all parking charges associated with the parking spaces assigned to Sublessee. All charges for the aforementioned parking spaces are due and payable by Sublessee upon its receipt of the monthly parking invoice.

ARTICLE 17. OFFICE FURNITURE/MODULAR FURNITURE SYSTEMS.

17.1 Sublessor will leave office furniture and modular furniture systems as currently displayed in the Premises in its "as is" condition. Such office furniture and modular furniture systems are identified on attached Schedule 1. Sublessee shall have the use of all office furniture and modular furniture systems during the Term. At the end of the Term, in consideration for the payment of $1.00, Sublessee shall have the right to buy all office furniture and modular furniture systems.

ARTICLE 18. TELEPHONE/"PBX"/LAN.

18.1 Sublessee shall have the right, but not the obligation, to purchase and/or rent from Sublessor, telephone sets, and telephone service from the "PBX" System/Computer and voice mail system, computer, and/or LAN equipment. If Sublessee elects to exercise its option to purchase and/or rent the equipment and/or services described herein, the terms of such purchase/rental will be reasonably agreed to by Sublessor and Sublessee under a separate agreement as soon as practicable after Sublessee's election.

ARTICLE 19. OPTION TO SUBLEASE EXPANSION SPACE.

19.1 Sublessee shall have the option to lease the balance of the sixth floor (approximately 2,682 rentable square feet) of the Building ("Expansion Space"), which shall become a part of the Premises, under all of the terms of this Sublease, including without limitation, all provisions addressing rent, except that the monthly Base Rent shall

be increased by an amount equal to the then rentable square foot rate of the Premises multiplied by the number of rentable square feet within the Expansion Space. Sublessee's option under this Section 19.1 shall be exercised in writing within 30 days after Sublessor notifies Sublessee that it has leased the Expansion Space under the terms of the Master Lease (see Section 1(g) of the First Amendment). If such option is not exercised within such 30-day period, Sublessee's option shall be deemed terminated. Sublessee may only exercise the option under this Section 19.1 if Sublessee is not in default under this Sublease.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date hereof.

SUBLESSOR:

ENTERPRISE PROFIT SOLUTIONS CORPORATION, a Delaware corporation

/s/ Mark C. Coleman
By: _____
Mark C. Coleman, its Executive Vice President/CFO

SUBLESSEE:

RE:SOURCES CONNECTION LLC, a Delaware limited liability company

/s/ Donald B. Murray
By: _____
Donald B. Murray, its Chief Executive Officer

EXHIBIT 23.1

CONSENT OF PRICEWATERHOUSECOOPERS LLP, INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our reports dated July 17, 2000 relating to the consolidated financial statements and financial statement schedule of Resources Connection, Inc. and its subsidiaries and our reports dated August 6, 1999 relating to the financial statements and financial statement schedule of Resources Connection LLC which appear in such Registration Statement. We also consent to the reference to us under the heading "Experts" and "Selected Historical Consolidated Financial Data" in such Registration Statement.

PricewaterhouseCoopers LLP

Costa Mesa, California
September 1, 2000

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YEAR
MAY-31-2000
JUN-01-1999
MAY-31-2000
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