

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
(State or other jurisdiction of
Incorporation)

8742
(Primary Standard Industrial
Classification Code Number)

33-0832424
(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.
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Costa Mesa, California 92626
(714) 430-6400
(Name, address, including zip code, and telephone number, including area code,
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Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit(2)	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock (\$0.01 par value)	4,162,480	\$26.10	\$108,640,728	\$27,160

- (1) Includes the offering price of shares that may be purchased at the option
of the underwriters solely to cover over-allotments, if any.
- (2) Estimated solely for the purpose of calculating the registration fee
pursuant to Rule 457(c) under the Securities Act.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the 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 is not soliciting an offer to buy the +
 +securities in any state where the offer or sale is not permitted. +
 +-----+
 SUBJECT TO COMPLETION, DATED JULY 17, 2001

3,619,548 Shares

[LOGO OF RESOURCES CONNECTION]

Common Stock

We are selling 200,000 shares of our common stock and the selling stockholders are selling 3,419,548 shares of common stock. We will not receive any of the proceeds from the shares of common stock sold by the selling stockholders.

Our common stock is listed on The Nasdaq Stock Market's National Market under the symbol "RECN". The last reported sale price on July 16, 2001, was \$26.10 per share.

The underwriters have an option to purchase a maximum of 542,932 additional shares from us and the selling stockholders to cover over-allotments of shares.

Investing in our common stock involves risks. See "Risk Factors" on page 6.

	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 2001.

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.

Credit Suisse First Boston

Deutsche Banc Alex. Brown

Bear, Stearns & Co. Inc.

Merrill Lynch & Co.

Robert W. Baird & Co.

The date of this prospectus is , 2001.

[inside front cover]

[small logo]

THE PROFESSIONAL SERVICES FIRM OF THE FUTURE

[map depicting office locations and professional services lines delivered at each office location]

[colored square] Finance and Accounting

[colored diamond] Finance and Accounting & Information Technology

[colored circle] Finance and Accounting & Human Resources Management

[colored triangle] Finance and Accounting, Information Technology & Human Resources Management

United States

International

Atlanta	Costa Mesa	Los Angeles	Princeton	Hong Kong
Austin	Dallas	Milwaukee	San Antonio	London - Summer 2001
Baltimore	Denver	Minneapolis	San Diego	Taipei
Boise	Detroit	New York	San Francisco	Toronto
Boston	Ft. Worth	Orlando	Seattle	
Charlotte	Hartford	Parsippany	Silicon Valley	
Chicago (2)	Honolulu	Philadelphia	Stamford	
Cincinnati	Houston (2)	Phoenix	St. Louis	
Cleveland	Indianapolis	Pittsburgh	Tampa	
	Las Vegas	Portland	Washington, D.C.	

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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.

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 in May closest to May 31st.

Overview

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

Since our inception in 1996, we have opened 41 offices in the United States and four offices internationally. We have a growing and diverse client base of over 1,800 clients ranging in size from large corporations, to mid-sized companies to small entrepreneurial entities, in a broad range of industries. We have grown revenues internally from \$9.3 million in fiscal 1997 to \$189.8 million in fiscal 2001, a four-year compounded annual growth rate, or CAGR, of 112%. Our income from operations over the same period has increased from \$869,000 to \$25.8 million, a four-year CAGR of 134%. We have been profitable each year since inception. We operated as an independent subsidiary of Deloitte & Touche from 1996 to April 1999, when we completed a management-led buyout. Prior to the management-led buyout, we were unable to provide certain accounting services to audit clients of Deloitte & Touche due to regulatory constraints applicable to us as part of a Big Five accounting firm.

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. At the end of fiscal 2001, we employed more than 1,250 associates on assignment, who have professional experience in a wide range of industries and functional areas. 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.

We believe that we provide our clients with high-quality service and a value proposition because we are able to combine all of the following:

- . a relationship-oriented approach to 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
- . significant client control over their projects.

Market Opportunity

According to a study by Staffing Industry Analysts, Inc., the market for outsourcing professionals, including information technology, accounting and finance, technical/engineering, medical and legal professionals, is large and growing, with revenues estimated to grow from \$40.1 billion in 1999 to \$58.6 billion in 2002, representing a CAGR of 13.5%. Accounting and finance professionals, according to the same study, represent one of the fastest growing segments of this market, with revenues estimated to grow from \$7.2 billion in 1999 to \$13.6 billion in 2002, representing a CAGR of 23.6%.

We believe 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. 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. We will also evaluate potential strategic acquisitions on a case-by-case 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 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 that 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.	200,000 shares
Selling stockholders.....	3,419,548 shares
Total.....	3,619,548 shares

Common stock to be outstanding after the offering..	20,992,080 shares
Use of proceeds.....	We intend to use the proceeds from this offering for working capital and general corporate purposes. We will not receive any of the proceeds from the sale of shares by the selling stockholders. See "Use of Proceeds".
Nasdaq National Market symbol.....	RECN

Common stock to be outstanding after this offering is based on 20,792,080 shares of common stock outstanding as of June 30, 2001. It does not include:

- . 3,210,445 shares of common stock issuable on the exercise of stock options outstanding as of June 30, 2001;
- . 1,686,950 additional shares of common stock reserved for issuance under the Resources Connection, Inc. 1999 Long-Term Incentive Plan as of June 30, 2001; and
- . 1,156,815 additional shares of common stock reserved for issuance under the Employee Stock Purchase Plan as of June 30, 2001.

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

- . no exercise of the underwriters' over-allotment option; and
- . an estimated offering price of \$26.10 per share.

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 18. Resources Connection commenced operations on June 1, 1996. The statements of income data for the years ended May 31, 1997 and 1998 and for the period from June 1, 1998 to March 31, 1999 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. Resources Connection, Inc. accounted for the purchase of Resources Connection LLC using the purchase method of accounting, in accordance with Accounting Principles Board Opinion No. 16. The historical results presented are not necessarily indicative of future results. The as adjusted balance sheet data reflect our sale of 200,000 shares of common stock in this offering at an assumed offering price of \$26.10 per share, after deducting estimated underwriting discounts, commissions and offering expenses.

	Resources Connection LLC			Resources Connection, Inc.		
	Year Ended	Year Ended	Period from	Period from	Year Ended	Year Ended
	May 31, 1997	May 31, 1998	June 1, 1998 to March 31, 1999	November 16, 1998 to May 31, 1999	May 31, 2000	May 31, 2001
	(unaudited)					
	(amounts in thousands, except per share data)					
Consolidated Statements of Income Data:						
Revenue.....	\$9,331	\$29,508	\$55,438	\$15,384	\$126,332	\$189,752
Direct cost of services.....	5,367	16,671	31,253	8,618	73,541	110,811
Gross profit.....	3,964	12,837	24,185	6,766	52,791	78,941
Selling, general and administrative expenses.....	3,086	9,035	17,071	4,274	34,648	49,964
Amortization of intangible assets.....	--	--	--	371	2,231	2,273
Depreciation expense....	9	79	118	30	285	866
Income from operations..	869	3,723	6,996	2,091	15,627	25,838
Interest expense, net...	--	--	--	734	4,717	2,043
Income before provision for income taxes and extraordinary charge...	869	3,723	6,996	1,357	10,910	23,795
Provision for income taxes (1).....	348	1,489	2,798	565	4,364	9,518
Income before extraordinary charge ..	521	2,234	4,198	792	6,546	14,277
Extraordinary charge, net of tax effect of \$381.....	--	--	--	--	--	572
Net income(1).....	\$ 521	\$ 2,234	\$ 4,198	\$ 792	\$ 6,546	\$ 13,705
Net income per common share:						
Basic before extraordinary charge..				\$ 0.09	\$ 0.42	\$ 0.80
Extraordinary charge...				--	--	0.03
Basic.....				\$ 0.09	\$ 0.42	\$ 0.77
Diluted before extraordinary charge..				\$ 0.09	\$ 0.42	\$ 0.74
Extraordinary charge...				--	--	0.03
Diluted.....				\$ 0.09	\$ 0.42	\$ 0.71
Number of shares used in computing net income per share:						
Basic.....				8,691	15,630	17,864
Diluted.....				8,691	15,714	19,421

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	Year Ended May 31, 2001	
(dollar amounts in thousands, except per share data)						

Other Data:

Number of offices open at end of period.....	9	18	27	28	35	44
Total number of associates on assignment at end of period.....	127	326	675	697	1,056	1,283

(1) Because Resources Connection LLC is a limited liability company, income taxes on any income realized by Resources Connection LLC are the obligation of its members and, accordingly, Resources Connection LLC records no provision for income taxes. The pro forma net income for Resources Connection LLC for periods through March 31, 1999 have been computed as if Resources Connection LLC had been fully subject to federal and state income taxes as a C corporation.

May 31, 2001	
Actual	As Adjusted

Consolidated Balance Sheet Data:

Cash and cash equivalents.....	\$34,503	\$ 38,849
Working capital.....	42,965	47,311
Total assets.....	105,345	109,691
Stockholders' equity.....	86,032	90,378

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 that 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.

Our business may be significantly affected if there is an economic downturn. 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 service mark registration of our name and logo. We may be unable to secure this 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.

Our clients may be confused by the presence of competitors and other companies that have names similar to our name.

We are aware of other companies using the name "Resources Connection" or some variation thereof. Some of these companies provide outsourced services, or are otherwise engaged in businesses that could be similar to ours. One company has a web address that is nearly identical to ours, "www.resourceconnection.com". The existence of these companies may confuse our clients, thereby impeding our ability to build our brand identity.

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. 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. We may also be subject to similar claims from our clients based on activities by our associates. 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:

- . grow our client base;
- . expand profitably into new cities;
- . provide additional professional services lines;
- . maintain margins in the face of pricing pressures; 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. Failure to adequately respond to 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 occurs, 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 in this prospectus may not be indicative of our future financial condition and performance.

The terms of our transition services agreement between Resources Connection and Deloitte & Touche may not have been on terms indicative of those available from an independent party.

As part of the management-led buyout in April 1999, we entered into a transition services agreement with Deloitte & Touche under which Deloitte & Touche agreed to provide certain services to us at negotiated rates until none of our offices remained in Deloitte & Touche office space, which occurred on August 31, 2000. The negotiated rates we agreed to pay to Deloitte & Touche under the transition services agreement may not be indicative of the rates that an independent third party would have charged us for providing the same services. Specifically, an independent third party may have charged us rates more or less favorable than those charged by Deloitte & Touche. If the terms of the transition services agreement, particularly the rates charged by Deloitte & Touche, were more favorable to us than those available from a third party, our general and administrative expenses will likely increase.

Our business could suffer if we lose the services of one or more key members of our management.

Our future success depends upon the continued employment of Donald B. Murray, our chief executive officer, and Stephen J. Giusto, our chief financial officer. The departure of Mr. Murray, Mr. Giusto or any of the other key members of our senior management team could significantly disrupt our operations. Key members of our senior management team include Karen M. Ferguson and Brent M. Longnecker, both of whom are executive vice presidents, John D. Bower, our vice president, finance, and Kate W. Duchene, our chief legal officer and executive vice president of human relations. We do not have employment agreements with Mr. Bower or Ms. Duchene.

Deloitte & Touche has agreed not to compete with us and we may be adversely affected when the noncompete expires.

In connection with the management buy-out, Deloitte & Touche agreed not to compete with us in a manner that replicates our business model for a period ending on the earlier of April 1, 2003 or the date that Deloitte & Touche enters into a significant business combination. The noncompete does not prohibit Deloitte & Touche from using their personnel in a loaned staff capacity or from allowing their personnel to work on a less than full time basis in accordance with the human resources policies of Deloitte & Touche. When the noncompete expires, we may be adversely affected if Deloitte & Touche chooses to compete in a manner previously prohibited by the noncompete.

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

Our results of operations could vary significantly from quarter to quarter. We anticipate that revenues in the first quarter of fiscal 2002 will be no more than and will likely be less than in the quarter ended May 31, 2001. 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;
- . changes in the demand for our services by our clients;
- . 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 that 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.

In connection with providing services to clients in certain regulated industries, such as the gaming and energy industries, we are subject to 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 stock price has been volatile, and you may lose all or substantially all of your investment.

The market price of our common stock has fluctuated widely in the past and is likely to continue to fluctuate in the future. Fluctuations in the market price of our common stock could occur in response to factors such as:

- . loss of a significant client or group of clients;
- . changes in market valuations of professional services companies;
- . improvements in the outsourcing of professionals by our competitors; and
- . the introduction of new competitors in the market for outsourced professionals.

In addition to these specific factors, companies listed on the Nasdaq Stock Market's National Market have recently experienced extreme price and volume fluctuations that have often been unrelated or disproportionate

to the operating performance of companies listed on these markets. Our common stock is listed on the Nasdaq Stock Market's National Market and therefore has and will be subject to this volatility. The volatility of the market may materially adversely affect the market price of our common stock, regardless of our actual operating performance.

Substantial sales of our common stock by our existing investors could cause our stock price to decline.

Upon completion of the offering, we will have 20,992,080 shares of common stock outstanding, assuming no exercise of options after June 30, 2001. Of this amount, 11,695,539 shares, including the 3,619,548 shares offered by this prospectus, will be freely tradable without restriction in the public market unless purchased by "affiliates" of ours as that term is defined in Rule 144 under the Securities Act. Following the expiration of the 90-day lockup agreements between the underwriters for this offering and us, our directors, our executive officers, the selling stockholders and certain employee stockholders, an additional 6,103,614 shares will be available for sale in the public market, subject in some cases to compliance with the volume and other limitations of Rule 144.

If our existing 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. 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.

Under a stockholders agreement entered into prior to our initial public offering, certain entities affiliated with Evercore Partners L.L.C., or the Evercore Partners, have agreed to vote their shares in favor of board nominees designated by some of our management stockholders--Donald B. Murray, Stephen J. Giusto, Karen M. Ferguson and Brent M. Longnecker-- and these management stockholders have agreed to vote their shares in favor of board nominees designated by the Evercore Partners. Collectively, the Evercore Partners and the management stockholders have designated five of our nine current directors. In addition, upon consummation of this offering, our executive officers, directors and principal stockholders, including Evercore Partners Inc. and certain of its affiliates, will own approximately 25.5% of the outstanding shares of common stock, or 23.2% 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 control of our board of directors also may delay, defer or even prevent a change in control of our company, and may 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 second 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. Because 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 make it difficult to change the composition of the board of directors;
- . prohibit cumulative voting in the election of directors which, if not prohibited, could allow a minority stockholder holding a sufficient percentage of a class of shares 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 our net proceeds from this offering for working capital and 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.

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. 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 200,000 shares of common stock, offered by us at the estimated public offering price of \$26.10 per share, will be \$4.3 million, after deducting the underwriting discounts and commissions and estimated offerings expenses. We intend to use the net proceeds from this offering for working capital and general corporate purposes. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholders.

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.

PRICE RANGE OF COMMON STOCK

Our common stock has traded on The Nasdaq National Market under the symbol "RECN" since December 15, 2000. Prior to that time, there was no public market for our common stock. The approximate number of holders of record of our common stock as of May 31, 2001 was 202.

The following table sets forth the range of high and low sales prices reported on The Nasdaq National Market for our common stock for the periods indicated.

	Price Range of Common Stock	
	High	Low
Fiscal 2001:		
Third Quarter (December 15, 2000 through February 24, 2001).....	\$25.375	\$13.437
Fourth Quarter.....	\$33.800	\$16.625
Fiscal 2002:		
First Quarter (through July 16, 2001).....	\$34.250	\$22.875

CAPITALIZATION

The following table sets forth as of May 31, 2001 our capitalization on an actual basis and on an as adjusted basis to reflect the sale by us of 200,000 shares of common stock in this offering at the estimated public offering price of \$26.10 per share. 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, 2001	
	-----	-----
	Actual	As Adjusted
	-----	-----
	(in thousands)	
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, as adjusted.....	\$ --	\$ --
Common Stock, \$0.01 par value, 35,000,000 shares authorized and 20,735,000 shares issued and outstanding, actual; 35,000,000 shares authorized and 20,935,000 issued and outstanding, as adjusted.....	207	209
Additional paid-in capital.....	66,507	70,851
Deferred stock compensation.....	(1,507)	(1,507)
Accumulated other comprehensive loss.....	(53)	(53)
Notes receivable from stockholders.....	(164)	(164)
Retained earnings.....	21,043	21,043
Treasury stock, at cost, 48,000 shares at May 31, 2001..	(1)	(1)
	-----	-----
Total stockholders' equity.....	86,032	90,378
	-----	-----
Total capitalization.....	\$86,032	\$90,378
	=====	=====

This table excludes the following shares:

- . 3,052,000 shares of common stock issuable on the exercise of stock options outstanding as of May 31, 2001;
- . 1,988,000 additional shares of common stock reserved for future grant or issuance under the 1999 Long-Term Incentive Plan as of May 31, 2001; and
- . 1,200,000 additional shares of common stock reserved for issuance under the Employee Stock Purchase Plan as of May 31, 2001.

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 18. 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 for the period from June 1, 1998 to March 31, 1999, is included elsewhere in this prospectus. The consolidated statements of income data for the period from November 16, 1998 to May 31, 1999, and the years ended May 31, 2000 and 2001, and the consolidated balance sheet data at May 31, 1999, 2000 and 2001 were derived from our consolidated financial statements that have been audited by PricewaterhouseCoopers LLP and, with respect to the consolidated statements of income data, and the consolidated balance sheet data at May 31, 2000 and 2001, 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	Year Ended May 31, 2001
	(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	\$189,752
Direct cost of services.....	5,367	16,671	31,253	8,618	73,541	110,811
Gross profit.....	3,964	12,837	24,185	6,766	52,791	78,941
Selling, general and administrative expenses.....	3,086	9,035	17,071	4,274	34,648	49,964
Amortization of intangible assets.....	--	--	--	371	2,231	2,273
Depreciation expense....	9	79	118	30	285	866
Income from operations..	869	3,723	6,996	2,091	15,627	25,838
Interest income.....	--	--	--	--	--	(633)
Interest expense.....	--	--	--	734	4,717	2,676
Income before provision for income taxes and extraordinary charge...	869	3,723	6,996	1,357	10,910	23,795
Provision for income taxes.....	--	--	--	565	4,364	9,518
Income before extraordinary charge...	869	3,723	6,996	792	6,546	14,277
Extraordinary charge, net of tax effect of \$381.....	--	--	--	--	--	572
Net income.....	\$ 869	\$ 3,723	\$ 6,996	\$ 792	\$ 6,546	\$ 13,705
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 common share:						
Basic before extraordinary charge..				\$ 0.09	\$ 0.42	\$ 0.80
Extraordinary charge...				--	--	0.03
Basic.....				\$ 0.09	\$ 0.42	\$ 0.77
Diluted before extraordinary charge..				\$ 0.09	\$ 0.42	\$ 0.74
Extraordinary charge...				--	--	0.03
Diluted.....				\$ 0.09	\$ 0.42	\$ 0.71
Number of shares used in						

computing net income
per share (in
thousands):

Basic.....				8,691	15,630	17,864
				=====	=====	=====
Diluted.....				8,691	15,714	19,421
				=====	=====	=====

Other Data:

Number of offices open at end of period.....	9	18	27	28	35	44
Total number of associates on assignment at end of period.....	127	326	675	697	1,056	1,283

Resources Connection LLC		Resources Connection, Inc.		
May 31,		May 31,		
1997	1998	1999	2000	2001
(unaudited)				

Consolidated Balance Sheet Data:

Cash and cash equivalents.....	\$ --	\$3,168	\$ 876	\$ 4,490	\$ 34,503
Working capital.....	1,133	4,504	7,150	7,664	42,965
Total assets.....	1,409	7,976	58,954	70,106	105,345
Long-term debt, including current portion.....	--	--	42,531	41,771	--
Stockholders' equity.....	1,205	4,928	10,610	17,185	86,032

(1) Because Resources Connection LLC is a limited liability company, income taxes on any income realized by Resources Connection LLC are the obligation of its members and, accordingly, Resources Connection LLC records no provision for income taxes. The pro forma net income for Resources Connection LLC for periods through March 31, 1999 have been computed as if Resources Connection LLC had been fully subject to federal and state income taxes as a C corporation.

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 6 and elsewhere in this prospectus.

Overview

Resources Connection is a professional services firm that provides experienced accounting and finance, human resources management and information technology professionals to clients on a project-by-project basis. We assist our clients with discrete projects requiring specialized professional expertise in accounting and finance, such as mergers and acquisitions due diligence, financial analyses (e.g., product costing and margin analyses) and corporate reorganization and tax-related projects. In addition, we provide human resources management services, such as compensation program design and implementation, and information technology services, such as transitions of management information systems. 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 offices previously located in Deloitte & Touche space. The financial statements of Resources Connection LLC for the period from June 1, 1998 to March 31, 1999, and financial statements of Resources Connection, Inc. for all periods thereafter, include charges for services supplied by Deloitte & Touche. Although these transition services were negotiated at arms length, the charges for these services may not necessarily be indicative of rates available from third parties. Our management has been unable to determine the availability and the cost of similar services had they been provided by third parties.

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. For the year ended May 31, 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 resources management and also began operations in Toronto, Canada; Taipei, Taiwan; and Hong Kong, People's Republic of China. In fiscal 2001, we established nine additional domestic offices. In the first quarter of fiscal 2002, we have begun operations in London, England. Our new service lines were introduced in a limited number of our offices. As a result, we currently serve our clients through 41 offices in the United States and four 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 and invoice our clients on a weekly basis. Our clients are contractually obligated to pay us for all hours billed. To a much lesser extent, we also earn revenue if a client hires an associate onto its permanent payroll. This type of contractually non-refundable revenue is recognized at the time our client completes the hiring process and represented less than 4% of our revenue in each of the following periods: June 1, 1998 to March 31, 1999, April 1, 1999 to May 31, 1999 and fiscal 2000. In fiscal 2001, this type of revenue represented less than 3% of our revenue. We

periodically review our outstanding accounts receivable balance and determine an estimate of the amount of those receivables we believe may prove uncollectible. Our provision for bad debts is included in our selling, general and administrative expenses.

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 and, therefore, direct cost of services tends to vary directly with the volume of revenue we earn. We expense the benefits we pay to our associates as they are earned. These benefits include paid vacation and holidays; referral bonus programs; group health, dental and life insurance programs; a matching 401(k) retirement plan; a bonus incentive 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 operating results for our company as a whole and within each manager's geographic market.

Results of Operations

The following tables set forth, for the periods indicated, our consolidated statements of income data. These historical results are not necessarily indicative of future results.

	Resources Connection LLC	Resources Connection, Inc.		
	Period from June 1, 1998 to March 31, 1999	Period from November 16, 1998 to May 31, 1999	Year Ended May 31, 2000	Year Ended May 31, 2001
	(amounts in thousands)			
Revenue.....	\$55,438	\$15,384	\$126,332	\$189,752
Direct cost of services.....	31,253	8,618	73,541	110,811
Gross profit.....	24,185	6,766	52,791	78,941
Selling, general and administrative expenses.....	17,071	4,274	34,648	49,964
Amortization of intangible assets.....	--	371	2,231	2,273
Depreciation expense.....	118	30	285	866
Income from operations.....	6,996	2,091	15,627	25,838
Interest expense, net.....	--	734	4,717	2,043
Income before provision for income taxes and extraordinary charge.....	6,996	1,357	10,910	23,795
Provision for income taxes(1).....	--	565	4,364	9,518
Income before extraordinary charge.....	6,996	792	6,546	14,277
Extraordinary charge, net of tax effect of \$381....	--	--	--	572
Net income(1).....	\$ 6,996	\$ 792	\$ 6,546	\$ 13,705
	=====	=====	=====	=====

Our operating results for the periods indicated are expressed as a percentage of revenue below.

	Resources Connection LLC		Resources Connection, Inc.	
	Period from June 1, 1998 to March 31, 1999	Period from November 16, 1998 to May 31, 1999	Year Ended May 31, 2000	Year Ended May 31, 2001
Revenue.....	100.0%	100.0%	100.0%	100.0%
Direct cost of services.....	56.4	56.0	58.2	58.4
Gross profit.....	43.6	44.0	41.8	41.6
Selling, general and administrative expenses.....	30.8	27.8	27.4	26.3
Amortization of intangible assets.....	--	2.4	1.8	1.2
Depreciation expense.....	0.2	0.2	0.2	0.5
Income from operations.....	12.6	13.6	12.4	13.6
Interest expense, net.....	--	4.8	3.7	1.1
Income before provision for income taxes and extraordinary charge.....	12.6	8.8	8.7	12.5
Provision for income taxes(1).....	--	3.7	3.5	5.0
Income before extraordinary charge.....	12.6	5.1	5.2	7.5
Extraordinary charge, net of tax effect of \$381.....	--	--	--	0.3
Net income(1).....	12.6%	5.1%	5.2%	7.2%
	=====	=====	=====	=====

(1) Because Resources Connection LLC is a limited liability company, income taxes on any income realized by Resources Connection LLC are the obligation of its members and, accordingly, Resources Connection LLC records no provision for income taxes.

Year Ended May 31, 2001 compared to Year Ended May 31, 2000

Revenue. Revenue increased \$63.4 million or 50.2% to \$189.8 million for the year ended May 31, 2001 from \$126.3 million for the year ended May 31, 2000. The increase in total revenue was primarily due to the growth in total billable hours resulting from an increase in the number of associates on assignment from 1,056 at the end of fiscal 2000 to 1,283 at the end of fiscal 2001 and a 12% increase in the average billing rate per hour. Despite the increase in rates, the increase in revenue is primarily attributable to the increase in the number of associates. Revenue also increased from the contribution of the nine new offices during fiscal 2001.

Direct Cost of Services. Direct cost of services increased \$37.3 million or 50.7% to \$110.8 million for the year ended May 31, 2001 from \$73.5 million for the year ended May 31, 2000. This increase was primarily the result of the growth in the number of associates on assignment during fiscal 2001 and a 1.0% increase in the average pay rate per hour between the two years. Direct cost of services increased slightly as a percentage of revenue from 58.2% for fiscal year 2000 to 58.4% for fiscal year 2001. This net increase reflects the impact of our enriched benefit programs for associates offset by the incremental increase in billing rate per hour compared to pay rate per hour.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$15.3 million or 44.2% to \$50.0 million for the year ended May 31, 2001 from \$34.6 million for the year ended May 31, 2000. This increase was attributable to the cost of operating and staffing the nine new offices opened during fiscal 2001 and the growth in operations at offices opened prior to fiscal 2001. Management and administrative headcount increased from 224 at the end of fiscal 2000 to 290 at the end of fiscal 2001. Selling, general and administrative expenses decreased as a percentage of revenue from 27.4% for the year ended May 31, 2000 to 26.3% for the year ended May 31, 2001. This percentage decrease resulted primarily from improved operating leverage experienced in offices that had been open more than one year.

Amortization and Depreciation Expenses. Amortization of intangible assets was relatively unchanged at \$2.3 million for the year ended May 31, 2001 compared to \$2.2 million for the year ended May 31, 2000. In

June 2001, the Financial Accounting Standards Board, or FASB, approved SFAS No. 142, "Goodwill and Other Intangible Assets," which supercedes APB Opinion No. 17, "Intangible Assets". The FASB is currently finalizing this statement with an expected issuance in July 2001. Under its proposed changes, SFAS No. 142 establishes new standards for goodwill acquired in a business combination and eliminates amortization of goodwill and instead sets forth methods to periodically evaluate goodwill for impairment. We expect to adopt this statement during the first quarter of fiscal 2002. During the year ended May 31, 2001, goodwill amortization totaled \$2.1 million.

Depreciation expense increased from \$285,000 for the year ended May 31, 2000 to \$866,000 for the year ended May 31, 2001. This increase reflects the impact of the completed moves out of our former parent's office space into our own space resulting in additional investment in furniture and leasehold improvements, continuing growth in our number of offices and our investment in information technology.

Interest Expense, Net. Net interest expense decreased from \$4.7 million for the year ended May 31, 2000 to \$2.0 million for the year ended May 31, 2001. This decrease is the result of the repayment of our term loan and subordinated notes on December 20, 2000 using the proceeds from our initial public offering of our common stock. After the repayment, we had no outstanding long-term debt balances. The remaining net proceeds from the offering of approximately \$15.3 million, as well as cash generated from operations, have been invested in money market funds and commercial paper and are classified as cash equivalents due to the short maturities of these investments. Interest income was \$633,000 for the year ended May 31, 2001.

Income Taxes. The provision for income taxes increased from \$4.4 million for the year ended May 31, 2000 to \$9.5 million for the year ended May 31, 2001. The effective tax rate remained at 40% in both fiscal years. Our effective rate differs from the federal statutory rate primarily due to state taxes, net of federal benefit.

Extraordinary Charge. The extraordinary charge of \$572,000 (net of tax effect of \$381,000) is the result of the write-off of the net remaining balance of unamortized debt issuance costs associated with our term loan and subordinated debt. The approximately \$38.8 million of debt was repaid in full on December 20, 2000 using a portion of the proceeds of our initial public offering of our common stock.

Year Ended May 31, 2000 compared to the period from November 16, 1998 to May 31, 1999

Revenue. Revenue increased \$110.9 million or 720.1% to \$126.3 million for the year ended May 31, 2000 from \$15.4 million for the period from November 16, 1998 to May 31, 1999. The increase in total revenue was the result of the comparison of a full year of operations in fiscal 2000, compared to only two months of operations following the acquisition on April 1, 1999. Prior to April 1, 1999, Resources Connection, Inc. had no substantial operations.

Direct Cost of Services. Direct cost of services increased \$64.9 million or 754.7% to \$73.5 million for the year ended May 31, 2000 from \$8.6 million for the period from November 16, 1998 to May 31, 1999. The increase in direct cost of services was primarily the result of the comparison of a full year of operations compared to only two months of operations following the acquisition. Direct cost of services increased as a percentage of revenue from 56.0% for the period from November 16, 1998 to May 31, 1999 to 58.2% for the year ended May 31, 2000. During the year ended May 31, 2000, we enriched our benefit programs for associates and more associates qualified for benefits.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$30.3 million or 704.7% to \$34.6 million for the year ended May 31, 2000 from \$4.3 million for the period from November 16, 1998 to May 31, 1999. The increase in selling, general and administrative expenses was primarily the result of the comparison of a full year of operations compared to only two months of operations following the acquisition and partially the result of an increase in number of offices from 28 at May 31, 1999 to 35 at May 31, 2000. Selling, general and administrative expenses decreased as a percentage of revenue from

27.8% for the period from November 16, 1998 to May 31, 1999 to 27.4% for the year ended May 31, 2000 due to these expenses being spread over a larger revenue base.

Amortization and Depreciation Expenses. Amortization of intangible assets increased from \$371,000 for the period from November 16, 1998 to May 31, 1999 to \$2.2 million for the year ended May 31, 2000. The increase was related to our acquisition of Resources Connection LLC. Results for the year ended May 31, 2000 reflect a full year of amortization expense compared with only two months subsequent to the acquisition in the period from November 16, 1998 to May 31, 1999.

Depreciation expense increased from \$30,000 for the period from November 16, 1998 to May 31, 1999 to \$285,000 for the year ended May 31, 2000. The increase in depreciation expense was primarily the result of the comparison of a full year of operations compared to only two months of operations in the period from November 16, 1998 to May 31, 1999.

Interest Expense. Interest expense increased from \$734,000 for the period from November 16, 1998 to May 31, 1999 to \$4.7 million for the year ended May 31, 2000, related primarily to debt incurred in connection with the acquisition of Resources Connection LLC. From May 31, 1999 to May 31, 2000, the term loan portion of the acquisition debt was reduced from \$18.0 million to \$16.5 million. The balance due on the subordinated notes increased from \$22.4 million as of May 31, 1999 to \$25.3 million as of May 31, 2000 as we deferred interest payments due on the subordinated debt. The outstanding balance due on the revolver as of May 31, 1999 of \$2.1 million was repaid during the first quarter of fiscal 2000; the revolver has not been utilized since January 2000.

Income Taxes. The provision for income taxes increased from \$565,000 for the period from November 16, 1998 to May 31, 1999 to \$4.4 million for the year ended May 31, 2000. The effective tax rate decreased from 41.6% for the period from November 16, 1998 to May 31, 1999 to 40.0% for the year ended May 31, 2000. Our effective rate differs from the federal statutory rate primarily due to state taxes, net of federal benefit.

Fiscal 2000 compared to Pro Forma Fiscal 1999 (Revenue and Direct Cost of Services)

The following paragraphs compare the revenue and direct cost of services of Resources Connection, Inc. for fiscal 2000 to the pro forma revenue and direct cost of service for Resources Connection, Inc. for the period from November 1, 1998 to May 31, 1999 as if our acquisition of Resources Connection LLC had occurred on June 1, 1998.

Pro Forma Revenue. Revenue increased \$55.5 million, or 78.4%, to \$126.3 million in fiscal 2000 from \$70.8 million in pro forma fiscal 1999. The increase in total revenues was primarily due to the growth in the total billable hours resulting from the increase in the number of associates on assignment from 697 at the end of pro forma fiscal 1999 to 1,056 at the end of fiscal 2000 and an increase of 6.3% in the average billing rate per hour. Substantially all of the increase in revenues is attributable to the increase in the number of associates. During fiscal 2000, we opened seven new offices, introduced our human resources management service line to certain existing markets and expanded our recently introduced information technology service line in existing market places. Our new service line contributed \$2.3 million to revenues during the year or 1.8% of our increase in revenue.

Pro Forma 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 pro forma fiscal 1999. This increase was the result of the growth in the number of associates on assignment from 697 at the end of pro forma fiscal 1999 to 1,056 at the end of fiscal 2000 and an increase of 5.7% in the average pay rate per hour. Substantially all of the increase in direct cost of services is attributable to the increase in the number of associates. In addition, we enriched certain of our benefit programs for associates during fiscal 2000 and more of our associates qualified for benefits. Direct cost of services as a percentage of revenue in fiscal 2000 was 58.2% as compared to 56.4% in pro forma fiscal 1999, reflecting primarily the impact of these enriched benefit programs.

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, 2001. 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.

Resources Connection, Inc.								

Quarter Ended								

	Aug. 31, 1999	Nov. 30, 1999	Feb. 29, 2000	May 31, 2000	Aug. 31, 2000	Nov. 30, 2000	Feb. 28, 2001	May 31, 2001

(in thousands)								

Consolidated Statements of Income Data:								
Revenue.....	\$25,533	\$28,581	\$33,384	\$38,834	\$39,155	\$45,046	\$49,830	\$55,721
Direct cost of services.....	14,491	16,626	19,765	22,659	22,749	25,987	29,457	32,618
Gross profit.....	11,042	11,955	13,619	16,175	16,406	19,059	20,373	23,103
Selling, general and administrative expenses.....	6,813	8,050	9,365	10,420	10,720	12,493	12,680	14,071
Amortization of intangible assets.....	511	577	572	571	578	565	565	565
Depreciation expense....	51	49	31	154	192	216	227	231
Income from operations..	3,667	3,279	3,651	5,030	4,916	5,785	6,901	8,236
Interest income.....	--	--	--	--	(19)	(44)	(251)	(319)
Interest expense.....	1,154	1,186	1,199	1,178	1,228	1,184	248	16
Income before provision for income taxes and extraordinary charge...	2,513	2,093	2,452	3,852	3,707	4,645	6,904	8,539
Provision for income taxes.....	1,006	835	981	1,542	1,483	1,858	2,762	3,415
Income before extraordinary charge...	1,507	1,258	1,471	2,310	2,224	2,787	4,142	5,124
Extraordinary charge, net of tax effect of \$381.....	--	--	--	--	--	--	572	--
Net income.....	\$ 1,507	\$ 1,258	\$ 1,471	\$ 2,310	\$ 2,224	\$ 2,787	\$ 3,570	\$ 5,124
Net income per common share(1):								
Basic.....	\$ 0.10	\$ 0.08	\$ 0.09	\$ 0.15	\$ 0.14	\$ 0.18	\$ 0.18	\$ 0.25
Diluted.....	\$ 0.10	\$ 0.08	\$ 0.09	\$ 0.15	\$ 0.13	\$ 0.16	\$ 0.17	\$ 0.23

(1) Net income per common share calculations for each of the quarters were based upon the weighted average number of shares outstanding for each period, and the sum of the quarters may not necessarily be equal to the full year net income per common share amount.

Our quarterly results have fluctuated in the past and we believe they will continue to do so in the future. We anticipate that revenues in the first quarter of fiscal 2002 will be no more than and will likely be less than in the quarter ended May 31, 2001. 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;
- . changes in the demand for our services by our clients;
- . 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 that 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. We have generated positive cash flows from operations since inception, and we continued to do so during the year ended May 31, 2001.

In April 1999, in connection with the acquisition of Resources Connection LLC, we entered into a \$28.0 million credit agreement with Bankers Trust Company, an affiliate of Deutsche Banc Alex. Brown Inc., U.S. Bank National Association and BankBoston, N.A., which provides for an \$18.0 million term loan facility and a \$10.0 million revolving credit facility. On December 20, 2000, we repaid the remaining balance on the term loan of \$11.9 million using the proceeds from our initial public offering of common stock. The credit agreement expires on October 1, 2003. As of May 31, 2001, we had no outstanding borrowings under the revolving credit facility. Borrowings under the credit agreement are collateralized by all of our assets. Our interest rate options under our credit agreement are prime rate plus 0.5% to 1.5% and a Eurodollar-based rate plus 1.5% to 2.5%. Interest is payable on the revolving credit facility at various intervals no less frequent than quarterly.

In April 1999, we issued \$22.0 million of 12% subordinated promissory notes to certain investors. Interest accrued on the notes at 12% and was payable on a quarterly basis; however, we could elect and did elect to defer payment of the interest and to add the balance due to the outstanding principal balance. On December 20, 2000, we used approximately \$26.9 million of the net proceeds from our initial public offering to retire the then outstanding balance on these subordinated promissory notes.

Net cash provided by operating activities totaled \$20.9 million in fiscal 2001, \$10.5 million in fiscal 2000, and \$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). 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 \$2.0 million in fiscal 2001, \$3.3 million in fiscal 2000 and \$51.1 million in fiscal 1999 on a pro forma combined basis. 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 provided by financing activities was \$11.1 million in fiscal 2001 and \$50.8 million in fiscal 1999 on a pro forma combined basis, while cash used in financing activities was \$3.6 million in fiscal 2000. The net cash provided by financing activities in fiscal 2001 reflects the payment required under our term debt agreement following the completion of our initial public offering of common stock, and retirement of our subordinated promissory notes, offset by the remaining proceeds of the offering. 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. Net cash generated from financing activities in fiscal 1999 resulted from the issuance of common stock, the issuance of subordinated promissory notes 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.

Our ongoing operations and anticipated growth 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, 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. Our longer-term plans for expanding our business anticipate that these sources of liquidity will be sufficient for the foreseeable future. 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 2001, we had approximately \$34.5 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.

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 December 1999, the SEC issued Staff Accounting Bulletin No. 101 (SAB 101) entitled "Revenue Recognition," which outlines the basic criteria that must be met to recognize revenue and provides guidance for the presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the SEC. The adoption of SAB 101 did not have a material impact on our financial position or results of operation.

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 was effective July 1, 2000. The adoption of FIN 44 did not have a material impact on our financial position or results of operations.

In June 2001, the FASB approved SFAS No. 141, "Business Combinations" and is currently finalizing this statement with an expected issuance in July 2001. Under its proposed changes, SFAS No. 141 establishes new standards for accounting and reporting requirements for business combinations and will require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. The Company expects to adopt this statement during the first quarter of fiscal 2002. Management does not believe that SFAS No. 141 will have a material impact on the Company's consolidated financial statements.

In June 2001, the FASB approved SFAS No. 142, "Goodwill and Other Intangible Assets," which supersedes APB Opinion No. 17, "Intangible Assets". The FASB is currently finalizing this statement with an expected issuance in July 2001. Under its proposed changes, SFAS No. 142 establishes new standards for goodwill acquired in a business combination and eliminates amortization of goodwill and instead sets forth methods to periodically evaluate goodwill for impairment. The Company expects to adopt this statement during the first quarter of fiscal 2002. During the year ended May 31, 2001, goodwill amortization totaled \$2.1 million.

Overview

Resources Connection is a professional services firm that provides experienced accounting and finance, human resources management and information technology professionals to clients on a project-by-project basis. We assist our clients with discrete projects requiring specialized professional expertise in accounting and finance, such as mergers and acquisitions due diligence, financial analyses (e.g., product costing and margin analyses), corporate reorganization and tax-related projects. In addition, we provide human resources management services, such as compensation program design and implementation, and information technology services, such as transitions of management information systems. 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, Donald B. Murray, who was then a senior partner with Deloitte & Touche. Our other founding members include our current chief financial officer, Stephen J. Giusto, then also a partner, Karen M. Ferguson, the current managing director of our New York area practice, and David L. Schnitt, our former national director of information technology services. Our founders created Resources Connection to capitalize on the increasing demand for high-quality, outsourced professional services. 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 accounting services to audit clients of Deloitte & Touche. 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 May 31, 2001, we employed more than 1,250 professional service associates on assignment. Our associates have professional experience in a wide range of industries and functional areas. Based upon an internal, annual survey conducted in late calendar year 2000 to which approximately 53% of all active associates responded, 52% of respondents were CPAs, 35% had MBAs, and the average years of professional experience was 20. We offer our associates careers that combine the flexibility of project-based work with many of the advantages of working for a traditional professional services firm.

We have established a growing and diverse client base of over 1,800 clients, ranging from large corporations to mid-sized companies to small entrepreneurial entities, in a broad range of industries. For example, our clients include more than half of the Fortune 100, which accounted for 10.9% of our revenues in fiscal 2001, and all of the Big Five accounting firms. We serve our clients through 41 offices in the United States and four offices abroad. We have grown revenues internally from \$9.3 million in fiscal 1997 to \$189.8 million in fiscal 2001, a four-year CAGR of 112% and our income from operations over the same period has increased from \$869,000 to \$25.8 million, a four-year CAGR of 134%. 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 that we believe fosters in our associates a feeling of personal responsibility for, and pride in, client projects and enables us to deliver high-quality service to our clients.

Industry Background

Increasing Demand for Outsourced Professional Services

According to a study by Staffing Industry Analysts, Inc., the market for outsourcing of professionals, including information technology, accounting and finance, technical/engineering, medical and legal professionals, is large and growing, with revenues estimated to grow from \$40.1 billion in 1999 to \$58.6 billion in 2002, representing a CAGR of 13.5%. Accounting and finance professionals, according to the same study, represent one of the fastest growing segments of this market, with revenues estimated to grow from \$7.2 billion in 1999 to \$13.6 billion in 2002, representing a CAGR of 23.6%. We believe, based on discussions with our clients, 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.

Increasing Supply of Project Professionals

Concurrent with the growth in demand for outsourced professional services, we believe, based on discussions with our associates, 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, coupled with 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 that provides 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, based on discussions with our clients, that Resources Connection provides clients seeking outsourced professionals with high-quality services because we are able to combine all of the following:

- . a relationship-oriented approach to 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
- . significant client control of their projects.

Resources Connection Strategy

Our Business Strategy

We are dedicated to providing highly qualified and experienced accounting and finance, human resources 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 the 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 high-quality services. 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 47 of our top 50 clients in fiscal 2000 remained clients in fiscal 2001.
- . Build the Resources Connection brand. Our objective is to establish Resources Connection as the premier provider of project-based professional services. Our primary means of building our brand is by consistently providing high-quality, value-added services to our clients. We have also focused on building a significant referral network through our more than 1,250 associates on assignment and 290 management employees, most of whom have established relationships with a number of potential clients. In addition, we have ongoing national and local marketing efforts that 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 a case-by-case 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 1,800 clients we served in fiscal 2001. 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, based on discussions with our clients, 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. Since fiscal 1999, we increased our client base by more than 600 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 resources 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 May 31, 2001, we employed over 1,250 associates on assignment. Our associates have professional experience in a wide range of industries and functional areas. 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 and basic term life insurance programs, each with an approximate 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. We also have 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. In fiscal 2001, we served over 1,800 clients. Our revenues are not concentrated with any particular client or clients, or within any particular industry. In fiscal 2001, no single client accounted for more than 3% of our revenue and the top 10 clients accounted for approximately 15.4% of our revenues.

The clients listed below represent the geographic and industry diversity of our client base in fiscal 2001.

Air BP, a subsidiary of BP Amoco	Kaiser Permanente Insurance Company
Allied Waste	The LTV Corporation
Aventis Pharmaceuticals	Nordstrom
Banc of America Securities LLC	PepsiCo Inc.
Blue Shield of California	Pharmacia Corporation
CB Richard Ellis	Southwest Airlines
Credit Suisse First Boston Corporation	Toshiba America Electronic Components, Inc.
Exelon Corporation	Toyota Motor Sales, USA, Inc.
Great West Life and Annuity Life Insurance Company	UCLA Medical Center

Services

Our current professional services capabilities include accounting and finance, human resources management and information technology. In fiscal 2001, accounting and finance services accounted for a substantial majority of our revenue. Our engagements are project-based and often last three months or longer.

Accounting and Finance

Our accounting and finance 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 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 that 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: We have provided more than 50 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 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 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 its 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 Resources Management

Our human resources management professional services group was formed in June 1999. These services are currently available in 16 of our offices. Our human resources management services include:

- . development of human resources 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 15 of our offices. Our information technology 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: We 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 41 domestic offices and four international 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. Because our office directors are in the best position to understand the local and regional outsourced professional services market and because 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 that 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 focused on client development.

Business Development

Our business development initiatives are composed 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 high-quality 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, consisting 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 May 31, 2001, we had a total of 1,573 employees, including 290 corporate and office-level employees and 1,283 professional services associates. None of our employees is covered by a collective bargaining agreement.

Facilities

We maintain 41 domestic offices in the following metropolitan areas:

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

Our corporate offices are located in the Costa Mesa, California office in a 16,366 square foot facility under a lease expiring in June 2007. We maintain four international offices: Toronto, Canada; London, England; 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.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information about our executive officers and directors as of June 30, 2001:

Name ----	Age ---	Position -----
Donald B. Murray.....	54	Chairman of the Board of Directors, Chief Executive Officer, President and Director
Stephen J. Giusto.....	38	Chief Financial Officer, Executive Vice President of Corporate Development, Secretary and Director
Karen M. Ferguson.....	37	Executive Vice President and Director
Brent M. Longnecker....	45	Executive Vice President
John D. Bower.....	40	Vice President, Finance
Kate W. Duchene.....	37	Chief Legal Officer, Executive Vice President of Human Relations and Assistant Secretary
David G. Offensend.....	48	Director
Gerald Rosenfeld.....	54	Director
Leonard Schutzman.....	54	Director
John C. Shaw.....	67	Director
C. Stephen Mansfield....	61	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 the Orange County, California office of Deloitte & Touche, a professional services firm, from 1988 to 1996. From 1984 to 1987, Mr. Murray was the Partner-In-Charge of the Woodland Hills office of Touche Ross & Co., a predecessor firm to Deloitte & Touche, a professional services firm, an office he founded in 1984. Mr. Murray was admitted to the Deloitte & Touche partnership in 1983. Mr. Murray also serves on the board of Ledgent, Inc.

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 the Orange County real estate practice of Deloitte & Touche, a professional services firm, 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, a professional services firm, 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, both of which are professional services firms, 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, a professional services firm, 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, a law firm, 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 the Vice Chairman 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, an investment bank, 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.

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, an investment banking firm, 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, an investment banking firm, from April to November 1998, and a Managing Director and head of Investment Banking of Lazard Freres & Co. LLC, an investment banking firm, 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, a venture marketing firm. From 1976 to 1993, he held several positions at Pepsi-Co., Inc., a company involved in the snack food, soft drink and juice businesses, most recently as Senior Vice President and Treasurer. Mr. Schutzman also serves on the board of directors of BML Pharmaceutical, Inc., SkyAuction.com, Inc. and TwinLab and currently serves as Chairman of the Board of INNIX, 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 in the Office of the 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 Orange County office of Deloitte, Haskins & Sells, a professional services firm which was a predecessor firm to Deloitte & Touche. Mr. Mansfield retired from Deloitte & Touche LLP in 1990, as a senior partner.

Board Composition

In accordance with the terms of our second restated certificate of incorporation, the terms of office of our board of directors are 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 are Ms. Ferguson, Mr. Mansfield and Mr. Schutzman, our Class II directors are Mr. Giusto and Mr. Shaw, and our Class III directors are Mr. Murray, Mr. Offensend and Mr. Rosenfeld. At each annual meeting of stockholders, 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. Pursuant to a stockholders agreement between the company and certain entities affiliated with the Evercore Partners, Donald B. Murray, Stephen J. Giusto, Karen M. Ferguson and Brent M. Longnecker, the company has agreed to nominate, and the stockholders party to that agreement have agreed to vote their shares in favor of, board nominees designated by the Evercore Partners and the management stockholders. After this offering, the Evercore Partners will have the right to designate one director nominee to our board of directors.

Board Committees

Our board of directors has established an audit committee. The audit committee consists of Mr. Mansfield, Mr. Rosenfeld and Mr. Shaw. The audit committee, which is composed solely of independent directors, makes recommendations to our board of directors regarding the selection of independent auditors, reviews the results and scope of the audit and other services provided by our independent auditors, and reviews and evaluates our audit and control functions.

Our board of directors has established a compensation committee consisting of the following directors: Mr. Offensend, Mr. Rosenfeld and Mr. Shaw. The compensation committee oversees our equity compensation plans and makes 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

As compensation for their services on our board of directors, our non-employee directors receive:

- . \$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 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 and fiscal 2001 by our Chief Executive Officer and the four other most highly compensated officers whose total salary and bonuses exceeded \$100,000 in fiscal 2001. The individuals listed in the table below are collectively referred to as the named executive officers.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards
		Salary(\$)	Bonus(\$)	All Other Annual Compensation(\$)	Securities Underlying Options(#)
Donald B. Murray, Chief Executive Officer.....	2001	447,665(4)	300,518(1)	0	40,000
	2000	425,000	212,500(2)	0	0
Stephen J. Giusto, Chief Financial Officer.....	2001	267,038(4)	136,404(1)	0	20,000
	2000	250,000	125,000(2)	0	0
Karen M. Ferguson, Executive Vice President.....	2001	259,023(4)	136,404(1)	1,118(5)	20,000
	2000	200,000	130,000(3)	0	0
Brent M. Longnecker, Executive Vice President.....	2001	318,646(4)	156,600(1)	0	20,000
	2000	300,000	150,000(2)	50,000(6)	0
Kate W. Duchene, Chief Legal Officer.....	2001	174,423	79,335(1)	0	20,000
	2000	86,538	27,800(2)	0	50,000

(1) Consists of bonuses earned in fiscal 2001 and paid in fiscal 2002.

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

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

(4) Includes an automobile allowance of \$9,000.

(5) Consists of a matching contribution under the terms of Resources' defined contribution 401(k) plan.

(6) 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.

Stock Options and Long-Term Incentive Awards in Fiscal 2001

The table below sets forth the options granted to named executive officers during fiscal 2001. No restricted stock awards were granted to named executive officers in fiscal 2001.

Individual Grants					Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation for Option Term	
Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal 2001	Exercise Price per Share (\$/Share)	Expiration Date	Value at Assumed Annual Rate of Stock Price Appreciation for Option Term		
				5%(\$)	10%(\$)	
Donald B. Murray.....	40,000	2.35%	17.63	1/10/11	443,600	1,124,000
Stephen J. Giusto.....	20,000	1.17%	17.63	1/10/11	221,800	562,000
Karen M. Ferguson.....	20,000	1.17%	17.63	1/10/11	221,800	562,000
Brent M. Longnecker....	20,000	1.17%	17.63	1/10/11	221,800	562,000
Kate W. Duchene.....	20,000	1.17%	17.63	1/10/11	221,800	562,000

Each option vests in equal annual installments over the four-year period commencing on the grant date and has a maximum term of 10 years, subject to earlier termination upon the optionee's cessation of service with Resources Connection.

The potential realizable values are based on an assumption that the stock price of our common stock will appreciate at the annual rate shown (compounded annually) from the date of grant until the end of the option term. These values do not take into account amounts required to be paid as income taxes under the Internal Revenue Code and any applicable state laws or option provisions providing for termination of an option following termination of employment, non-transferability or vesting. These amounts are calculated based on the requirements promulgated by the Securities and Exchange Commission and do not reflect our estimate of future stock price growth of the shares of our common stock.

Exercise of Options And Year-End Values

No stock options have been exercised by any named executive officer since our inception. The following table provides summary information of the number of shares of our common stock represented by outstanding stock options held by each of our named executive officers as of May 31, 2001.

Aggregated Option Exercises In Last Fiscal Year and Fiscal Year-End Option Value

	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at May 31, 2001		Value of Unexercised In-the-Money Options at May 31, 2001	
			Exercisable	Unexercisable	Exercisable(\$)	Unexercisable(\$)
Donald B. Murray.....	--	--	--	40,000	--	626,800
Stephen J. Giusto.....	--	--	--	20,000	--	313,400
Karen M. Ferguson.....	--	--	--	20,000	--	313,400
Brent M. Longnecker....	--	--	--	20,000	--	313,400
Kate W. Duchene.....	--	--	12,500	57,500	378,750	1,449,650

Dollar values in the table shown above are calculated by taking the fair market value of our common stock on May 25, 2001 (the last trading day prior to our fiscal year end), subtracting the per share exercise price of the options, and multiplying the result by the number of shares.

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 was filed as an exhibit to our Registration Statement on Form S-1 filed with the Securities and Exchange Commission on September 1, 2000.

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 June 30, 2001, 5,630,000 shares had been acquired under the plan, of which 3,156,693 had become vested, 1,574,350 were not yet vested, 483,557 had been sold and 367,720 were fully vested and held by terminated employees and 47,680 shares had been repurchased from terminated employees and were held as treasury shares. 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. Our stockholders approved the plan 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 was filed as an exhibit to our Registration Statement on Form S-1 filed with the Securities and Exchange Commission on September 1, 2000.

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. 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 June 30, 2001, 3,210,445 shares of common stock were subject to outstanding options granted under the plan, 442,820 of which had vested and 2,767,625 of which were unvested, and 1,686,950 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 \$23.78 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.

Employee Stock Purchase Plan

On October 17, 2000, our board of directors adopted our Employee Stock Purchase Plan to provide certain of our employees (and the employees of certain of our participating subsidiaries) with an incentive to advance the best interests of the company by providing a method whereby they may voluntarily purchase our common stock at a favorable price and upon favorable terms. Our stockholders approved this plan on October 17, 2000. Generally, all of our officers and employees who have been employed by us for at least 90 days, who are regularly scheduled to work more than 10 hours per week, and who are customarily employed more than five months per year are eligible to participate in the plan. The plan became effective upon the consummation of our initial public offering.

Operation. The plan generally operates in successive six-month periods, or offering periods, commencing on each January 1 and July 1. The first offering period under the plan commenced on March 19, 2001.

On the first day of each offering period, or grant date, each employee eligible to participate in the plan who has timely filed a valid election to participate for that offering period will be granted an option to purchase shares of our common stock. A participant must designate in his or her election the percentage of his or her compensation (subject to certain limits in the plan and limits under the Internal Revenue Code) to be withheld from his or her pay during that offering period on an after-tax basis and credited to a bookkeeping account maintained under the plan in his or her name.

Each option granted with respect to an offering period will automatically be exercised on the last day of that offering period, or the exercise date. The number of shares of our common stock acquired by the holder of the option will be determined by dividing the participant's plan account balance as of the exercise date by the option price.

Generally, a participant's plan participation will terminate during an offering period, and his or her plan account balance will be paid to him or her in cash, if the participant elects a withdrawal of his or her contributions or if the participant's employment by us or one of our participating subsidiaries terminates.

Authorized Shares; Limits on Contributions. The maximum aggregate number of shares of our common stock available under the plan is 1,200,000. As required by the Internal Revenue Code, a participant cannot purchase more than \$25,000 of stock (valued at the start of the applicable offering period) under the plan in any one calendar year. In the event of a merger, consolidation, recapitalization, stock split, stock dividend, combination of shares, or other change affecting our common stock, a proportionate and equitable adjustment will be made to the number of shares subject to the plan and outstanding plan options.

Administration. The plan will be administered by our board of directors or a committee appointed by our board of directors. The plan administrator is currently the compensation committee of our board of directors. The plan will not limit the authority of our board of directors or the compensation committee to grant awards or authorize any other compensation, with or without reference to our common stock, under any other plan or authority.

Amendment or Termination of the Employee Stock Purchase Plan. Our board of directors may amend, modify or terminate the plan at any time and in any manner, provided that the existing rights of participants are not materially adversely affected thereby. Stockholder approval for any amendment will only be required to the extent necessary to meet the requirements of Section 423 of the Internal Revenue Code or to the extent otherwise required by law. Unless previously terminated by our board of directors, no new offering periods will commence on or after October 16, 2010 or, if earlier, when no shares remain available for options under the plan.

Federal Tax Consequences. Participant contributions to the plan are made on an after-tax basis. Generally, no taxable income will be recognized by a participant as of either the grant date or the exercise date of an option. A participant will generally recognize income (or loss) upon a sale or disposition of the shares acquired under the plan. The company generally will not be entitled to a federal income tax deduction with respect to any shares that are acquired under the Employee Stock Purchase Plan.

401(k) Plan

Resources Connection has a defined contribution 401(k) plan that 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 \$442,000, increased in September 2000 from an initial 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, or compensation subject to excise tax under Section 4999 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 \$260,000, increased in September 2000 from an initial 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 \$312,000, increased in September 2000 from an initial 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 the employee or we elect not to extend the agreement.

Termination by Us Without Cause or by Employee for Good Reason. In the event we do not renew the agreement or the employee is terminated other than for "cause" (which is 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" (which is 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 and Board Representation of Evercore and Management

Under a stockholders agreement entered into prior to our initial public offering, certain entities affiliated with Evercore Partners L.L.C., or the Evercore Partners, have agreed to vote their shares in favor of board nominees designated by some of our management stockholders--Donald B. Murray, Stephen J. Giusto, Karen M. Ferguson and Brent M. Longnecker-- and these management stockholders have agreed to vote their shares in favor of board nominees designated by the Evercore Partners. Collectively, the Evercore Partners and the management stockholders have designated five of our nine current directors. As the Evercore Partners' percentage ownership in the company decreases, so does the number of nominees they can designate to the board. As the management stockholders' percentage ownership in the company decreases, so does the number of director nominees they can designate to the board. The rights of either the Evercore Partners or the management stockholders will terminate when that group owns less than 7.5% of the outstanding shares of common stock of the company. The company has agreed to take such action as may be required to cause the board to consist of the number of directors specified in the Stockholders Agreement. After the consummation of this offering, the Evercore Partners will own approximately 13.5% of the outstanding shares of our common stock. The Evercore Partners will therefore have the right to designate one director nominee to our board of directors.

Pursuant to the Stockholders Agreement, the Evercore Partners and the management stockholders each have the right to demand that the company register their shares of common stock of the company two additional times; provided that the board of directors of the company has the right to postpone a demand registration in certain circumstances. The company has agreed to pay for two demand registrations of each of the Evercore Partners and the management stockholders. This offering is made pursuant to one of the three original demand registrations and we will pay certain costs associated with this offering.

In addition, if we propose to register additional shares of our common stock under the Securities Act, the Evercore Partners, Richard Gersten, Paul Lattanzio, Gerald Rosenfeld, Mainz Holdings Ltd., DB Capital Investors, L.P., certain management stockholders and certain employee stockholders are entitled to notice of the registration and to include a pro rata number of their shares of our common stock in that offering. The underwriters have the right to limit the number of shares included in the registration in their discretion.

Immediately after this offering, the following directors, executive officers and holders of 5% or more of our outstanding shares will have registration rights with respect to the shares identified below:

Name ----	Number of Registrable Shares of Common Stock -----
Donald B. Murray.....	1,298,126
Stephen J. Giusto.....	370,456
Karen Ferguson.....	295,250
Brent Longnecker.....	185,994
John Bower.....	4,690
Gerald Rosenfeld.....	136,882
Entities affiliated with Evercore Capital Partners L.L.C.....	2,835,580

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. As of May 31, 2001, the outstanding balance of the loan was \$150,000. 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 15, 2004, in an aggregate principal amount of \$22.0 million to the same investors. After the close of our initial public offering in December 2000, we used a portion of the proceeds 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

Joint Marketing Agreement with and Investment in Ledgent

In September 2000, we entered into a Joint Marketing Agreement with Complete BackOffice.com, Inc., later renamed Ledgent, Inc. Ledgent is a privately held corporation engaged in the business of outsourcing complete accounting and human resources functions over the Internet. Our agreement with Ledgent is to cooperate in the promotion of each party's services to both new and existing customers. To that end, we have agreed to provide our customer list and marketing databases to Ledgent in exchange for its customer list and marketing databases. We have also agreed to provide the Ledgent sales staff with office space and administrative staff and support for one year from the date of the agreement at no cost to Ledgent. In addition, both parties agree not to compete with the business of the other party during the term of the agreement, the initial term of which is two years. The agreement also contemplates a referral service whereby we receive 1% of the gross profits generated by Ledgent during the first year of a client relationship that results from one of our leads, and Ledgent receives 1% of the gross profits generated by us during the first year of a client relationship that results from one of its leads.

We and several of our stockholders, including some members of our management team, own collectively, a 13.4% indirect interest in Ledgent through our majority-owned subsidiary, which we control. We own 57% of the subsidiary, Donald B. Murray, our chief executive officer, owns 4.9% of the subsidiary and our executive officers, other than Mr. Murray, collectively own 3.5% of the subsidiary. Entities affiliated with Evercore Partners L.L.C. collectively have a right to acquire 25.7% of the subsidiary.

Our subsidiary has the right to designate one director to serve on the board of directors of Ledgent. Donald B. Murray, our chief executive officer, is currently serving as the designee.

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

We have hired R.R. Donnelley Financial Printing, or Donnelley, to provide certain 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 \$200,000. 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 as of June 30, 2001 and immediately after the 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, we and the selling stockholders will sell up to an aggregate of 542,932 additional shares of common stock. The percentage of beneficial ownership before the offering is based on 20,792,080 shares of common stock outstanding as of June 30, 2001.

	Number of Shares		Percentage of		Number of Shares to be Sold in Offering
	Beneficially Owned		Shares Outstanding		
	Before Offering	After Offering	Before Offering	After Offering	
Directors and Officers(1)					
Donald B. Murray(2).....	1,421,083	1,334,126	6.8%	6.4%	86,957
Stephen J. Giusto(3).....	387,456	387,456	1.9%	1.8%	--
Karen M. Ferguson.....	335,250	335,250	1.6%	1.6%	--
Brent M. Longnecker.....	200,994	200,994	1.0%	1.0%	--
John D. Bower.....	75,627	75,627	*	*	--
Kate W. Duchene(4).....	32,500	32,500	*	*	--
David G. Offensend(5).....	--	--	*	*	--
Gerald Rosenfeld(6).....	136,882	136,882	*	*	--
Leonard Schutzman(5).....	--	--	*	*	--
John C. Shaw(7).....	16,000	16,000	*	*	--
C. Stephen Mansfield.....	--	--	*	*	--
Named Executive Officers, Executive Officers and Directors as a group (11 persons).....					
	2,605,792	2,518,835	12.5%	12.0%	86,957
Other Selling Stockholders					
Evercore Partners L.L.C.(8)....	5,835,580	2,835,580	28.1%	13.5%	3,000,000
DB Capital Investors, L.P.(9)..	382,480	49,889	1.8%	*	332,591

* Represents less than 1%.

(1) Since June 30, 2001, Mr. Murray, Mr. Giusto, Ms. Ferguson, Mr. Longnecker, Mr. Bower and Ms. Duchene have sold 36,000, 15,000, 40,000, 55,000, 20,000 and 4,000 shares, respectively.

(2) Includes shares owned by Mr. Murray and shares beneficially owned by Mr. Murray in The Murray Family Trust, Donald B. Murray, Trustee; Murray Family Income TR312000 Shimizu Ronald J Ttee; Patrick Murray, Sr. as Custodian for Patrick Murray, Jr. until age 21 under the CUTMA; and Brian Murray.

- (3) Includes shares owned by Mr. Giusto, beneficially owned by Mr. Giusto in The Giusto Family Income Trust dated 9/12/2000, Michael J. Giusto, trustee and 1,000 shares owned by Susan P. Giusto, the spouse of Mr. Giusto.
- (4) Ms. Duchene has 12,500 shares of common stock subject to options exercisable within 60 days of June 30, 2001.
- (5) 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. Leonard Schutzman is a director and is an executive of, or consultant to, Evercore Partners, Inc. Mr. Schutzman may be deemed to share beneficial ownership of any shares beneficially owned by Evercore Partners L.L.C., but hereby disclaims beneficial ownership of any shares beneficially owned by Evercore Partners L.L.C., except to the extent of his pecuniary interest in the Evercore Investors or Evercore Partners L.L.C. The address for Mr. Offensend and Mr. Schutzman is c/o Evercore Partners L.L.C., 65 East 55th Street, 33rd Floor, New York, New York 10022.
- (6) Includes shares owned by Mr. Rosenfeld and shares beneficially owned by Mr. Rosenfeld in the Rosenfeld August 2000 GRAT. Mr. Rosenfeld's address is c/o Rothschild Inc., 1251 Avenue of the Americas, New York, New York 10020.
- (7) Mr. Shaw has been a director of Resources Connection since June 1999. Mr. Shaw has 15,000 shares of common stock subject to options exercisable within 60 days of June 30, 2001. Mr. Shaw's address is The Shaw Group LLC, P.O. Box 3369, Newport Beach, California 92659.
- (8) 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. The address for Evercore Partners L.L.C. is 65 East 55th Street, 33rd Floor, New York, New York 10022.
- (9) Shares are owned by DB Capital Investors, L.P., an indirect wholly owned subsidiary of Deutsche Bank A.G. The address for DB Capital Investors, L.P. is 130 Liberty Street, 34th Floor, New York, New York 10006.

DESCRIPTION OF CAPITAL STOCK

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. As of June 30, 2001, there were 20,792,080 shares of common stock outstanding, held of record by approximately stockholders, and options to purchase 3,210,445 shares of common stock.

Common Stock

Under our second 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 fully paid and nonassessable.

Preferred Stock

Under our second 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.

Registration Rights

If 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 Evercore Partners, Richard Gersten, Paul Lattanzio, Gerald Rosenfeld, Mainz Holdings Ltd., DB Capital Investors, L.P., BancBoston Investments Inc., certain management stockholders and certain employee stockholders 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. In addition, pursuant to a Stockholders Agreement between us, the Evercore Partners, Donald B. Murray, Stephen J. Giusto, Karen M. Ferguson and Brent M. Longnecker, the Evercore stockholders and the management stockholders can demand registration of their shares up to three times, subject to postponement by the company under certain circumstances. We have agreed to pay for two demand registrations of each of the Evercore Partners and the management stockholders, subject to an aggregate expense limit of \$500,000 for each group. This offering is made pursuant to one of these demand registrations. The stockholders with these registration rights hold an aggregate of 6,359,221 shares, after deducting shares to be sold pursuant to this offering by the selling stockholders. We are required to bear substantially all of the 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 second 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

Our common stock is listed 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

Our common stock has traded on the Nasdaq National Market under the symbol "RECN" since December 15, 2000. Future sales of substantial amounts of our common stock in the public market could adversely affect the prevailing market price and our ability to raise equity capital in the future.

After completion of this offering, we will have 20,992,080 outstanding shares of common stock. Of these shares, the 3,619,548 shares of common stock to be sold in this offering, the 7,475,000 shares of common stock sold in our initial public offering and the shares sold to date by our stockholders pursuant to Rule 144 or Rule 701 under the Securities Act will be freely tradable without restriction or further registration under the Securities Act, unless purchased by our affiliates or covered by a separate lock-up agreement with the underwriters.

The remaining 9,296,541 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:

- . 6,103,614 shares held by persons subject to the lock-up agreements will be released 91 days after the date of this prospectus, 5,953,614 of which will have been held long enough to be sold under Rule 144 or Rule 701; and
- . the remaining shares may be sold under Rule 144 or 144(k) once they have been held for the required time.

Credit Suisse First Boston Corporation and Deutsche Banc Alex. Brown Inc. may agree to release shares subject to the lock-up agreements prior to the end of the 90-day lock-up period, although they have no current intention to do so. For further details, see "Underwriting".

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 currently equals approximately 207,921 shares; 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 is eligible to resell those shares. 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 6,359,221 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.

Stock and Stock Options. On December 22, 2000, we filed a registration statement on Form S-8 to register the issuance of all the shares of common stock that could be purchased upon the exercise of stock options outstanding on that date and all the shares of common stock reserved for issuance pursuant to the 1999 Long-Term Incentive Plan. On February 2, 2001, we filed a registration statement on Form S-8 to register the issuance of all the shares of common stock that could be purchased upon the exercise of stock options outstanding on that date and all the shares of common stock reserved for issuance pursuant to the Resources Connection, Inc. Employee Stock Purchase Plan. Accordingly, shares registered under both of these registration statements are freely tradable by holders, except with respect to Rule 144 volume limitations that apply to our affiliates.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated _____, 2001 the selling stockholders have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston Corporation and Deutsche Banc Alex. Brown Inc., as joint bookrunners, and Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated 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 Banc Alex. Brown Inc.....	
Bear, Stearns & Co. Inc.....	
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Robert W. Baird & Co. Incorporated.....	
Total.....	3,619,548 =====

As joint bookrunners, Credit Suisse First Boston Corporation and Deutsche Banc Alex. Brown Inc. have equal responsibility for 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 and we have granted to the underwriters a 30-day option to purchase up to an aggregate of 542,932 additional shares at the 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 selling concession of \$ per share. The underwriters and selling group members may allow a discount of \$ per share on sales to other broker/dealers. After the public offering the representatives may change the public offering price and concession and discount to broker/dealers.

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.....	\$	\$	\$	\$
Expenses payable by us..	\$	\$	\$	\$
Underwriting Discounts and Commissions paid by selling stockholders.....	\$	\$	\$	\$
Expenses payable by the selling stockholders...	\$	\$	\$	\$

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 (the "Securities Act") 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, without the prior written consent of Credit Suisse First Boston Corporation and Deutsche Banc Alex. Brown Inc. for a period of 90 days after the date of this prospectus, except grants or issuances of any such securities under any of our employee benefit plans.

Our officers, directors and certain 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 that 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 our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse First Boston Corporation and Deutsche Banc Alex. Brown Inc. for a period of 90 days after the date of this prospectus.

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

Our common stock is listed on the Nasdaq National Market under the symbol "RECN". We have applied to list the shares of common stock to be sold by us in this offering on the Nasdaq National Market.

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

- . 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-allotted 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 the 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, the 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 could be downward pressure on the price of the shares in the open market after pricing that could adversely affect 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.
- . In passive market making, market makers in the common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchases of our common stock until the time, if any, at which a stabilizing bid is made.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might 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 websites 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 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. Credit Suisse First Boston Corporation may effect an on-line distribution through its affiliate, CSFBdirect Inc., an on-line broker dealer, as a selling group member.

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions. For example, Credit Suisse First Boston Corporation, Deutsche Banc Alex. Brown Inc. and Robert W. Baird & Co. Incorporated were each engaged by us to offer the sale of our common stock in our initial public offering in December 2000.

In addition, DB Capital Investors, L.P., an affiliate of Deutsche Banc Alex. Brown Inc., owns 382,480 shares of our common stock, representing 1.8% of our outstanding common stock as of June 30, 2001. DB Capital Investors, L.P. purchased these shares in April 1999 and intends to sell certain of these shares in this offering.

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 shareholder(s) 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 shareholder(s) 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, that 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 U.S. 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 shareholder(s) 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 in 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, 2000 and 2001 and for the period from inception, November 16, 1998, through May 31, 1999, and for the years ended May 31, 2000 and 2001, 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, 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.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission, or the 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 Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of all or any part of the registration statement may be obtained from the Commission's offices upon the payment of the fees prescribed by the 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>.

We also file periodic reports, proxy statements and other information with the Commission. You may read and copy any document we file at the Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the public reference room. You may also obtain our Commission filings from the Commission's website referred to above.

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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, 2000 and 2001, and the results of their operations and their cash flows for the period from inception, November 16, 1998 through May 31, 1999, and the years ended May 31, 2000 and 2001 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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

Orange County, California
July 2, 2001

RESOURCES CONNECTION, INC.
CONSOLIDATED BALANCE SHEETS

	May 31,	
	2000	2001
ASSETS		

Current assets:		
Cash and cash equivalents.....	\$ 4,490,000	\$ 34,503,000
Trade accounts receivable, net of allowance for doubtful accounts of \$1,586,000 and \$2,450,000 as of May 31, 2000 and 2001, respectively.....	18,166,000	23,908,000
Deferred income taxes.....	1,300,000	2,349,000
Prepaid expenses and other current assets.....	746,000	853,000
	-----	-----
Total current assets.....	24,702,000	61,613,000
Intangible assets, net.....	41,583,000	38,445,000
Property and equipment, net.....	3,196,000	4,085,000
Other assets.....	625,000	1,202,000
	-----	-----
Total assets.....	\$70,106,000	\$105,345,000
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current liabilities:		
Accounts payable and accrued expenses.....	\$ 2,519,000	\$ 2,479,000
Accrued salaries and related obligations.....	7,450,000	15,046,000
Other liabilities.....	801,000	1,123,000
Current portion of term loan.....	6,268,000	
	-----	-----
Total current liabilities.....	17,038,000	18,648,000
Deferred income taxes.....	380,000	665,000
Term loan.....	10,232,000	
Subordinated notes payable.....	25,271,000	
	-----	-----
Total liabilities.....	52,921,000	19,313,000
	-----	-----
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 and 20,735,000 shares issued and outstanding as of May 31, 2000 and 2001, respectively.....	156,000	207,000
Additional paid-in capital.....	10,222,000	66,507,000
Deferred stock compensation.....	(499,000)	(1,507,000)
Accumulated other comprehensive loss.....	(32,000)	(53,000)
Notes receivable from stockholders.....		(164,000)
Retained earnings.....	7,338,000	21,043,000
Treasury stock, at cost, zero shares at May 31, 2000 and 48,000 shares at May 31, 2001.....		(1,000)
	-----	-----
Total stockholders' equity.....	17,185,000	86,032,000
	-----	-----
Total liabilities and stockholders' equity.....	\$70,106,000	\$105,345,000
	=====	=====

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	For The Year Ended	
	May 31, 1999	May 31, 2000	May 31, 2001
Revenue.....	\$15,384,000	\$126,332,000	\$189,752,000
Direct cost of services, primarily payroll and related taxes for professional services employees....	8,618,000	73,541,000	110,811,000
Gross profit.....	6,766,000	52,791,000	78,941,000
Selling, general and administrative expenses.....	4,274,000	34,648,000	49,964,000
Amortization of intangible assets...	371,000	2,231,000	2,273,000
Depreciation expense.....	30,000	285,000	866,000
Income from operations.....	2,091,000	15,627,000	25,838,000
Interest income.....			(633,000)
Interest expense.....	734,000	4,717,000	2,676,000
Income before provision for income taxes and extraordinary charge...	1,357,000	10,910,000	23,795,000
Provision for income taxes.....	565,000	4,364,000	9,518,000
Income before extraordinary charge.....	792,000	6,546,000	14,277,000
Extraordinary charge, net of tax effect of \$381,000.....			572,000
Net income.....	\$ 792,000	\$ 6,546,000	\$ 13,705,000
Net income per common share:			
Basic before extraordinary charge.....	\$ 0.09	\$ 0.42	\$ 0.80
Extraordinary charge.....			0.03
Basic.....	\$ 0.09	\$ 0.42	\$ 0.77
Diluted before extraordinary charge.....	\$ 0.09	\$ 0.42	\$ 0.74
Extraordinary charge.....			0.03
Diluted.....	\$ 0.09	\$ 0.42	\$ 0.71
Weighted average common shares outstanding:			
Basic.....	8,691,000	15,630,000	17,864,000
Diluted.....	8,691,000	15,714,000	19,421,000

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

Equity

Issuance of common shares to founders for cash.....	\$	56,000
Issuance of common shares for cash.....		9,856,000
Issuance of Class B common shares for cash.....		144,000
Issuance costs of common shares....		(238,000)
Deferred stock compensation....		
Net income for the period from inception, November 16, 1998, through May 31, 1999.....		792,000
Balances as of May 31, 1999....		10,610,000
Deferred stock compensation....		
Amortization of deferred stock compensation....		61,000
Comprehensive income:		
Currency translation adjustment, net of tax		(32,000)
Net income for the year ended May 31, 2000 ...		6,546,000
Total comprehensive income.....		6,514,000
Balances as of May 31, 2000....		17,185,000
Initial public offering of common stock....		55,800,000
Costs related to stock offering...		(1,690,000)
Exercise of stock options.....		370,000
Repurchase of treasury stock...		(45,000)
Reissuance of treasury stock...		349,000
Deferred stock compensation....		
Amortization of deferred stock compensation....		379,000
Comprehensive income:		
Currency translation adjustment, net of tax.....		(21,000)
Net income for the year ended May 31, 2001....		13,705,000
Total comprehensive income.....		13,684,000
Balances as of May 31, 2001....		\$86,032,000
		=====

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	For the Year Ended May 31, 2000	2001
Cash flows from operating activities			
Net income.....	\$ 792,000	\$ 6,546,000	\$ 13,705,000
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...	401,000	2,516,000	3,139,000
Amortization of debt issuance costs.....	12,000	298,000	130,000
Amortization of deferred stock compensation.....		61,000	379,000
Bad debt expense.....	200,000	1,048,000	2,110,000
Extraordinary charge.....			953,000
Changes in operating assets and liabilities:			
Trade accounts receivable....	(1,217,000)	(7,302,000)	(7,852,000)
Prepaid expenses and other current assets.....	(509,000)	75,000	144,000
Other assets.....	(167,000)	(484,000)	(598,000)
Accounts payable and accrued expenses.....	768,000	35,000	(33,000)
Accrued salaries and related obligations.....	(573,000)	4,722,000	7,596,000
Other liabilities.....	312,000	219,000	322,000
Accrued interest payable portion of notes payable....	431,000	2,840,000	1,680,000
Deferred income taxes.....	559,000	(68,000)	(764,000)
Net cash provided by operating activities.....	1,009,000	10,506,000	20,911,000
Cash flows from investing activities			
Purchase of Resources Connection LLC, net of cash acquired and including transaction costs.....	(50,867,000)	(271,000)	(225,000)
Purchases of property and equipment.....	(21,000)	(3,021,000)	(1,755,000)
Net cash used in investing activities.....	(50,888,000)	(3,292,000)	(1,980,000)
Cash flows from financing activities			
Proceeds from initial public offering of common stock.....			55,800,000
Initial public offering costs....			(1,690,000)
Proceeds from exercise of stock options.....			370,000
Proceeds from reissuance of treasury stock.....			98,000
Purchases of treasury stock.....			(45,000)
Proceeds from issuance of subordinated notes payable.....	22,000,000		
Proceeds from term loan.....	18,000,000		
Payments on term loan.....		(1,500,000)	(16,500,000)
Payment on subordinated notes....			(26,951,000)
Net borrowings (repayments) on revolving loan.....	2,100,000	(2,100,000)	
Costs of debt issuances.....	(1,163,000)		
Issuance of common stock.....	10,056,000		
Costs of equity issuances.....	(238,000)		
Net cash provided by (used in) financing activities...	50,755,000	(3,600,000)	11,082,000
Net increase in cash.....	876,000	3,614,000	30,013,000
Cash and cash equivalents at beginning of period.....	--	876,000	4,490,000
Cash and cash equivalents at end of period.....	\$ 876,000	\$ 4,490,000	\$ 34,503,000

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

RESOURCES CONNECTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 (see Note 3), 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 in May 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 years ended May 31, 2000 and 2001 consist 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 and billed when services are rendered by the Company's professionals. Non-refundable conversion fees are recognized when one of the Company's professionals accepts an offer of permanent employment from a client. Conversion fees were less than 3% of revenue for the year ended May 31, 2001 and 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 or loss 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Potential common shares totaling 751,000 were not included in the diluted earnings per share amounts for the year ended May 31, 2000 as their effect would have been anti-dilutive. For the years ended May 31, 2000 and 2001, potentially dilutive securities consisted solely of stock options and resulted in potential common shares of 84,000 and 1,557,000, respectively.

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 were 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 \$12,000, \$298,000 and \$130,000 were amortized to interest expense for the period ended May 31, 1999 and the years ended May 31, 2000 and 2001, respectively.

During the quarter ended February 28, 2001, the Company repaid the outstanding balance of its term loan and subordinated debt of approximately \$38.8 million using a portion of the proceeds of the Company's initial public offering of its common stock; consequently, the remaining balance of unamortized debt issuance costs associated with the Company's term loan and subordinated debt were written off, resulting in an extraordinary charge of \$572,000 (net of income tax effect of \$381,000).

The carrying value of intangible assets is periodically reviewed by management and impairment adjustments are recognized when the expected undiscounted future operating cash flows to be derived from such intangible assets are less than their carrying value. If such assets are considered to be impaired the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the expected discounted future operating cash flows arising from the asset. The Company believes that no impairment of intangible assets has occurred (see Recent Accounting Pronouncements for information on SFAS No. 142 "Goodwill and Other Intangibles" and its impact on goodwill amortization).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Interest Rate Swap

During fiscal 1999, the Company 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 fixed the interest rate on a notional amount of \$12.6 million. Net payments or receipts under the agreement were recorded in interest expense on a current basis. As a result of the repayment of the term loan debt on December 20, 2000, the interest rate swap agreement was terminated. The Company recognized interest expense upon the termination of the agreement of approximately \$218,000 during the year ended May 31, 2001.

Stock-Based Compensation

The Company has adopted the disclosure-only provision of SFAS No. 123, "Accounting for Stock-Based Compensation" for measurement and recognition of employee stock-based transactions. 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 December 1999, the SEC issued Staff Accounting Bulletin No. 101 (SAB 101) entitled "Revenue Recognition," which outlines the basic criteria that must be met to recognize revenue and provides guidance for the presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the SEC. The adoption of SAB 101 did not have a material impact on the Company's consolidated financial statements.

In March 2000, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 44 ("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;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

- . 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 was effective July 1, 2000. Management believes that the adoption of FIN 44 did not have a material impact on the Company's consolidated financial statements.

In June 2001, the FASB approved SFAS No. 141, "Business Combinations" and is currently finalizing this statement with an expected issuance in July 2001. Under its proposed changes, SFAS No. 141 establishes new standards for accounting and reporting requirements for business combinations and will require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. The Company expects to adopt this statement during the first quarter of fiscal 2002. Management does not believe that SFAS No. 141 will have a material impact on the Company's consolidated financial statements.

In June 2001, the FASB approved SFAS No. 142, "Goodwill and Other Intangible Assets," which supercedes APB Opinion No. 17, "Intangible Assets". The FASB is currently finalizing this statement with an expected issuance in July 2001. Under its proposed changes, SFAS No. 142 establishes new standards for goodwill acquired in a business combination and eliminates amortization of goodwill and instead sets forth methods to periodically evaluate goodwill for impairment. The Company expects to adopt this statement during the first quarter of fiscal 2002. During the year ended May 31, 2001, goodwill amortization totaled \$2.1 million.

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

RESOURCES CONNECTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

the financial position and results that would have occurred if the Company had undertaken such transactions with third parties. The Company's management was unable to determine the availability and the cost of similar services had they been provided by third parties. Total expenses under the Agreement were approximately \$300,000, \$1.3 million and \$64,000 for the period from November 16, 1998 to May 31, 1999 and the years ended May 31, 2000 and 2001, respectively. At May 31, 1999 and 2000, the Company maintained 25 and 5 offices, respectively, within the seller's locations. The Company completed all relocations by August 31, 2000.

4. Property and Equipment

Property and equipment consist of the following at May 31:

	2000	2001
	-----	-----
Computers and equipment.....	\$ 2,440,000	\$3,458,000
Furniture.....	548,000	1,142,000
Leasehold improvements.....	523,000	666,000
	-----	-----
	3,511,000	5,266,000
Less accumulated depreciation and amortization.....	(315,000)	(1,181,000)
	-----	-----
	\$ 3,196,000	\$4,085,000
	=====	=====

5. Intangible Assets

Intangible assets consist of the following at May 31:

	2000	2001
	-----	-----
Noncompete agreement.....	\$ 500,000	\$ 500,000
Goodwill.....	42,832,000	42,832,000
Debt issuance costs.....	1,163,000	
	-----	-----
	44,495,000	43,332,000
Less accumulated amortization.....	(2,912,000)	(4,887,000)
	-----	-----
	\$ 41,583,000	\$38,445,000
	=====	=====

RESOURCES CONNECTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

6. Income Taxes

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

	For The Period From Inception, November 16, 1998, Through May 31, 1999	For The Year Ended May 31, 2000	For The Year Ended May 31, 2001

Current			
Federal.....	\$ --	\$3,570,000	\$ 8,428,000
State.....	6,000	862,000	1,854,000
	-----	-----	-----
	6,000	4,432,000	10,282,000
	-----	-----	-----
Deferred			
Federal.....	439,000	(83,000)	(610,000)
State.....	120,000	15,000	(154,000)
	-----	-----	-----
	559,000	(68,000)	(764,000)
	-----	-----	-----
	\$565,000	\$4,364,000	\$ 9,518,000
	=====	=====	=====

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	For The Year Ended May 31, 2001

Allowance for doubtful accounts.....	\$ 20,000	\$(276,000)	\$(376,000)
Property and equipment.....	(1,000)	67,000	58,000
Goodwill and noncompete agreement.....	47,000	266,000	259,000
Accrued liabilities.....	536,000	4,000	(673,000)
State taxes.....	(43,000)	(129,000)	(32,000)
	-----	-----	-----
Net deferred income tax provision.....	\$559,000	\$ (68,000)	\$(764,000)
	=====	=====	=====

The provision for income taxes from operations 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	For The Year Ended May 31, 2001

Statutory tax rate.....	34.0%	34.0%	34.0%
State taxes, net of federal benefit.....	6.1%	5.4%	5.5%
Other, net.....	1.5%	0.6%	0.5%
	-----	-----	-----
Effective tax rate.....	41.6%	40.0%	40.0%
	=====	=====	=====

RESOURCES CONNECTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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

	2000	2001
	-----	-----
Deferred tax assets:		
Allowance for doubtful accounts.....	\$ 657,000	\$1,033,000
Accrued expenses.....	583,000	1,257,000
State taxes.....	75,000	106,000
	-----	-----
	1,315,000	2,396,000
	-----	-----
Deferred tax liabilities:		
Property and equipment.....	(83,000)	(141,000)
Goodwill and noncompete agreement.....	(312,000)	(571,000)
	-----	-----
	(395,000)	(712,000)
	-----	-----
Net deferred tax asset.....	\$ 920,000	\$1,684,000
	=====	=====

Current taxes payable were \$282,000 and \$328,000 at May 31, 2000 and 2001, respectively, and is included as a component of other liabilities.

7. Accrued Salaries and Related Obligations

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

	2000	2001
	-----	-----
Accrued salaries, bonuses and related obligations.....	\$5,838,000	\$12,507,000
Accrued vacation.....	1,612,000	2,539,000
	-----	-----
	\$7,450,000	\$15,046,000
	=====	=====

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 provided for an \$18 million term loan facility and a \$10 million revolving credit facility, including a standby letter of credit feature (the "Credit Agreement"). The Credit Agreement expires October 1, 2003. On December 20, 2000, the \$11.9 million remaining balance on the term loan was repaid using a portion of the proceeds from the Company's initial offering of its common stock. Per the terms of the Credit Agreement, the term loan facility was terminated upon the repayment. There were no outstanding borrowings on the revolving credit facility at May 31, 2000 and 2001. Borrowings under the Credit Agreement are collateralized by all of the Company's assets.

In November 2000, the Company and the group of participating banks amended the Credit Agreement to provide for a reduction in the interest rate charged on borrowings under the revolving credit facility. The amendment provides a range of interest rates from the bank's Prime rate plus 0.5% to 1.5% or a Eurodollar-based rate plus 1.5% to 2.5% dependent upon the Company's leverage ratio, as defined, at the date of borrowing. Since the effective date of the amendment, there have been no borrowings under the revolving credit facility. 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 stockholders, and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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, 2000 and 2001.

To facilitate the acquisition of LLC in April 1999, the Company issued \$22,000,000 in 12% subordinated promissory notes (the "Notes") to certain investors. The Notes and interest deferred under the terms of the Notes were repaid on December 20, 2000 using a portion of the proceeds from the Company's initial offering of its common stock.

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 35,000,000 shares of common stock with a \$0.01 par value. At May 31, 2000 and 2001, there were 15,630,000, and 20,735,000 shares outstanding of common stock, respectively, all of which are voting.

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 of preferred stock were outstanding at May 31, 2000 and 2001.

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 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 subordinated promissory note of \$2.20 per unit (see Note 8).

On December 14, 2000, the SEC declared the Company's registration statement effective. On December 20, 2000, the Company received the proceeds from its initial public offering of 5,000,000 shares of the Company's common stock at \$12 per share. The net proceeds of the offering (after underwriting discounts, commissions and other transaction related expenses) were \$54.1 million. Selling shareholders sold 2,475,000 shares of the Company's common stock (including the exercise of the underwriter's overallotment of 975,000 shares), but the Company did not receive any of the proceeds from the sale of those shares.

During fiscal 2001, pursuant to the terms of the 1998 Employee Stock Purchase Plan, the Company reacquired 123,000 shares of its common stock from former employees. The Company subsequently resold 75,000 shares of common stock for an aggregate purchase price of approximately \$513,000 to certain employees and consultants of the Company, of which \$164,000 was financed by the Company in exchange for promissory notes from the employees, bearing interest at 4.0% with annual aggregate principal payments of approximately \$55,000 through June 30, 2003.

RESOURCES CONNECTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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 years ended May 31, 2000 and 2001, the Company contributed approximately \$101,000, \$427,000 and \$805,000 respectively, to the plan.

12. Supplemental Disclosure Of Cash Flow Information

For the period and years ended May 31:

	1999	2000	2001
	-----	-----	-----
Interest paid.....	\$ --	\$1,824,000	\$ 5,825,000
Income taxes paid.....	\$ --	\$4,156,000	\$ 9,853,000
Noncash investing and financing activities:			
Deferred stock compensation.....	\$37,000	\$ 523,000	\$ 1,387,000
Reissuance of treasury shares for notes outstanding.....			\$ 164,000
Acquisition of LLC, net of \$5,033,000 cash acquired and including transaction costs:			

	1999

Fair values of noncash tangible assets acquired.....	\$12,534,000
Liabilities assumed and incurred.....	(4,746,000)
Goodwill.....	42,579,000
Noncompete agreement.....	500,000
Cash paid.....	\$50,867,000
	=====

During the year ended May 31, 2001, the Company paid \$225,000 of additional consideration relating to the acquisition of LLC, which was allocated to the purchase price and was included in accrued liabilities 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

13. Commitments and Contingencies

Lease Commitments

At May 31, 2001, the Company had operating leases, primarily for office premises, expiring at various dates. At May 31, 2001, the Company had no capital leases. Future minimum rental commitments under operating leases are as follows:

Years Ending May 31:	

2002.....	\$ 4,424,000
2003.....	4,353,000
2004.....	4,339,000
2005.....	3,629,000
2006.....	2,239,000
Thereafter.....	4,816,000

Total.....	\$23,800,000
	=====

Rent expense for the period ended May 31, 1999 and for the years ended May 31, 2000 and 2001 totaled \$306,000, \$2,368,000 and \$3,444,000, 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.

Registration Rights

The Company has entered into a stockholders agreement with certain affiliates and management stockholders whereby the affiliates and management stockholders each have three demand registration rights. The Company has the right to postpone a demand registration under certain circumstances. The Company has agreed to pay for two demand registrations of each of the affiliates and the management stockholders up to an aggregate \$500,000 for each group.

14. Stock Based Compensation 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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. As of May 31, 2000, 1,880,000 of such shares of common stock were vested. As of May 31, 2001, of the 5,630,000 shares granted and exercised under the Purchase Plan 3,104,000 shares vested; 1,677,000 were unvested; 484,000 shares were sold; 317,000 were fully vested and controlled by terminated employees and 48,000 shares had been repurchased from terminated employees and were held as treasury shares. During the years ended May 31, 2000 and 2001, repurchased unvested shares of common stock were sold to eligible employees pursuant to the terms of the 1998 Restricted Stock Purchase Plan. The per share weighted average grant date fair values of the unvested awards granted during the period from inception, November 16, 1998 through May 31, 1999, and for the years ended May 31, 2000 and 2001 were \$0.02, \$2.44 and \$4.00, respectively. The amount of unearned compensation recognized for stock re-sold under the Purchase Plan totaled \$37,000, \$376,000 and \$514,000 during the period ended May 1999 and the years ended May 31, 2000 and 2001, respectively. Related compensation expense totaled zero, \$54,000 and \$160,000 for the period ended May 1999 and the years ended May 31, 2000 and 2001, respectively. The Company does not anticipate granting any additional awards under the Purchase Plan.

Employee Stock Purchase Plan

In October 2000, the Company's board of directors adopted the Resources Connection, Inc. Employee Stock Purchase Plan ("ESPP"), which was approved by the Company's stockholders in October 2000. Under the terms of the ESPP, a total of 1,200,000 shares of common stock may be issued. The ESPP allows for qualified employees (as defined) to participate in the purchase of designated shares of the Company's common stock at a price equal to the lesser of 85% of the fair market value of common stock at the beginning or end of each semi-annual stock purchase period. The Company had not issued any shares of common stock pursuant to this plan during the year ended May 31, 2001.

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 prior to December 15, 2000, was 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 5,040,000. 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. There were 335,000 options exercisable at May 31, 2001 at a weighted-average exercise price of \$3.66 per share.

RESOURCES CONNECTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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.....	1,498,500	\$ 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	
Granted, above fair market value.....	112,000	\$ 5.00	\$ 4.50
Granted, at fair market value.....	1,356,600	\$15.24	\$15.24
Granted, below fair market value.....	235,500	\$ 4.87	\$10.17
Exercised.....	(104,605)	\$ 3.54	
Cancelled.....	(375,500)	\$ 5.15	

Options outstanding at May 31, 2001.....	3,052,495	\$ 8.87	
	=====		

The following table summarizes significant option groups outstanding as of May 31, 2001 and related weighted average price and life information:

Range of Exercise Price Per Share	Options Outstanding			Options Exercisable	
	Number Outstanding at May 31, 2001	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Number Exercisable at May 31, 2001	Weighted Average Exercise Price
\$3.00 to \$6.11.....	1,806,895	\$ 4.08	8.65	335,020	\$3.66
\$12.00 to \$17.63.....	1,132,100	\$15.16	9.53		
\$22.31 to \$22.50.....	113,500	\$22.35	9.84		
	-----			-----	
	3,052,495	\$ 8.87	9.02	335,020	\$3.66
	=====			=====	

As of May 31, 2000 and 2001, the Company recorded deferred compensation related to options granted to employees of \$147,000 and \$873,000, respectively, 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, \$7,000 and \$219,000 in amortization was recognized during the years ended May 31, 2000 and 2001, respectively. 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 amounts indicated below:

	1999	2000	2001
Net Income:			
As reported.....	\$792,000	\$6,546,000	\$13,705,000
Pro forma.....	\$792,000	\$6,272,000	\$10,827,000
Net Income Per Common Share--Diluted:			
As reported.....	\$ 0.09	\$ 0.42	\$ 0.71
Pro forma.....	\$ 0.09	\$ 0.40	\$ 0.61

RESOURCES CONNECTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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	2001
Weighted-average expected life (years).....	7	7	7
Annual dividend per share.....	None	None	None
Risk-free interest rate.....	6.47%-6.98%	6.47%-8.07%	4.98%-6.59%
Expected volatility.....	75%	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 3% of revenue during the year ended May 31, 2001 and no more than 4% for 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 years ended May 31, 2000, the first year the Company commenced foreign operations, and May 31, 2001, revenue from the Company's foreign operations 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 and 2001, \$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 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 audit. We conducted our audit 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 audit of these statements provides 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

STATEMENT OF INCOME

For The Period June 1, 1998 Through March 31, 1999

Net revenues.....	\$55,438,000
Cost of revenues.....	31,253,000

Gross profit.....	24,185,000
Selling, general and administrative expenses.....	17,071,000
Depreciation and amortization expense.....	118,000

Net income.....	\$ 6,996,000
	=====

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

RESOURCES CONNECTION LLC

STATEMENT OF CASH FLOWS

For The Period June 1, 1998 Through March 31, 1999

Cash flows from operating activities:	
Net income.....	\$ 6,996,000
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization.....	118,000
Bad debt expense.....	533,000
Changes in operating assets and liabilities:	
Accounts receivable.....	(6,737,000)
Receivable from member.....	(10,500,000)
Payable to member.....	8,541,000
Prepays and other assets.....	(297,000)
Accounts payable and accrued expenses.....	869,000
Accrued salaries and related obligations.....	2,323,000
Other liabilities.....	182,000

Net cash provided by operating activities.....	2,028,000

Cash flows from investing activities:	
Purchases of property and equipment.....	(163,000)

Net cash used in investing activities.....	(163,000)

Net increase in cash.....	1,865,000
Cash and cash equivalents at beginning of year.....	3,168,000

Cash and cash equivalents at end of year.....	\$ 5,033,000
	=====

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 statement of income:

	For The Period June 1, 1998 Through March 31, 1999 -----
Occupancy.....	\$ 767,000
Computer charges.....	155,000
Telephone.....	34,000
Administrative salaries.....	250,000
Other charges.....	203,000

Total allocated charges.....	\$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 \$4.9 million for the approximate ten-month period ended March 31, 1999.

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 periods are to periods ended May 31. The period ended March 31, 1999 was 44 weeks long.

NOTES TO FINANCIAL STATEMENTS--(Continued)

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 the Company's professional staff accepts an offer of permanent employment from a client. Conversion fees were less than 4% of revenues for 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.

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 \$828,000 for the approximate ten-month period ended March 31, 1999.

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 approximate ten-month period ended March 31, 1999, the Company contributed approximately \$98,000 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]

[red background]

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

[picture of part of a building]

[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 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 and the NASD filing fee.

	Amount to Be Paid -----
Registration fee.....	\$ 27,160
NASD filing fee.....	11,364
Blue sky qualification fees and expenses.....	5,000*
Printing and engraving expenses.....	200,000*
Legal fees and expenses.....	200,000*
Accounting fees and expenses.....	120,000*
Transfer agent and registrar fees.....	10,000*
Miscellaneous.....	26,476*

Total.....	\$600,000* =====

- - - - -
* 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, the Registrant issued 5,243,000 shares of its common stock to certain members of its management pursuant to the 1998 Employee Stock Purchase Plan for an aggregate purchase price of \$52,430. Between January 1999 and February 1999, the Registrant 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 the Registrant reacquired 388,000 shares of its common stock from employees whose employment was being terminated. The Registrant resold these reacquired shares to certain employees for an aggregate purchase price of \$264,000. Since August 2000, pursuant to the terms of the 1998 Employee Stock Purchase Plan, the Registrant reacquired 69,000 shares of its common stock from employees whose employment was being terminated. The Registrant 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, in connection with the management-led buyout, the Registrant issued and sold 9,855,260 shares of common stock and 144,740 shares of its Class B common stock for an aggregate purchase price of \$10,000,000 to the following investors:

- . Four entities affiliated with Evercore Partners L.L.C.;
- . Richard Gersten;
- . Paul Lattanzio;
- . Gerald Rosenfeld;
- . Mainz Holdings Ltd.;
- . BT Capital Investors, L.P. (subsequently changed to DB Capital Investors, L.P.);
- . BancBoston Investments Inc.; and
- . Resources Connection management and employees.

Simultaneously, the Registrant 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 group of investors. The Registrant 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 December 14, 2000, the Registrant granted stock options to certain of its employees pursuant to our 1999 Long-Term Incentive Plan. The Registrant 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	Second Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 30, 2000).
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Exhibit Number -----	Description of Document -----
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 (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 filed on September 1, 2000 (File No. 333-45000)).
10.9	Security Agreement, dated April 1, 1999, among Resources Connection, Inc., certain of its subsidiaries and Bankers Trust Company, as collateral agent (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 filed on September 1, 2000 (File No. 333-45000)).
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21.1	List of Subsidiaries.
23.1	Consent of 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-10.

* To be filed by amendment.

(b) Financial Statement Schedules.

RESOURCES CONNECTION, INC.

Report of Independent Accountants on Financial Statement Schedule
Schedule II -- Valuation and Qualifying Accounts for the period from
inception, November 16, 1998, through May 31, 1999 and for each of the
two years in the period ended May 31, 2001

RESOURCES CONNECTION LLC

Report of Independent Accountants on Financial Statement Schedule
Schedule II -- Valuation and Qualifying Accounts for the period from
June 1, 1998 through March 31, 1999

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 2, 2001 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

Orange County, California
July 2, 2001

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	\$ (248,000)	\$955,000	\$ 907,000
Year Ended May 31, 2000.....	\$ 907,000	\$1,048,000	\$ (369,000)	\$ --	\$1,586,000
Year Ended May 31, 2001.....	\$1,586,000	\$2,110,000	\$(1,246,000)	\$ --	\$2,450,000

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Members of Resources Connection LLC

Our audit 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.

/s/ 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 Period from June 1, 1998 to March 31, 1999.....	\$422,000	\$533,000	\$ --	\$955,000

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 Costa Mesa, County of Orange, State of California, on July 17, 2001.

/s/ Stephen J. Giusto
By: _____
Stephen J. Giusto
Chief Financial 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 ----
<u>/s/ Donald B. Murray</u> Donald B. Murray	Chairman of the Board, Chief Executive Officer, President and Director (Principal Executive Officer)	July 17, 2001
<u>/s/ Stephen J. Giusto</u> Stephen J. Giusto	Chief Financial Officer, Executive Vice President of Corporate Development, Secretary and Director (Principal Financial and Accounting Officer)	July 17, 2001
<u>/s/ Karen M. Ferguson</u> Karen M. Ferguson	Executive Vice President and Director	July 17, 2001
<u>/s/ David G. Offensend</u> David G. Offensend	Director	July 17, 2001
<u>/s/ Gerald Rosenfeld</u> Gerald Rosenfeld	Director	July 17, 2001
<u>/s/ Leonard Schutzman</u> Leonard Schutzman	Director	July 17, 2001
<u>/s/ John C. Shaw</u> John C. Shaw	Director	July 17, 2001
<u>/s/ C. Stephen Mansfield</u> C. Stephen Mansfield	Director	July 17, 2001

EXHIBIT INDEX

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24.1	Power of Attorney. Reference is made to page II-10.

- - - - -
* To be filed by amendment.

AGREEMENT OF LEASE

between

500-512 SEVENTH AVENUE LIMITED PARTNERSHIP,

Landlord

and

RESOURCES CONNECTION LLC,

Tenant

Dated: October _____, 2000

PREMISES:

Entire 39th Floor
512 Seventh Avenue
New York, New York 10018

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AGREEMENT OF LEASE made as of this ____ day of October, 2000, between 500-512 SEVENTH AVENUE LIMITED PARTNERSHIP, a New York limited partnership, with its office at c/o Newmark & Company Real Estate, Inc., 125 Park Avenue, New York, New York, 10017 (hereinafter referred to as "Landlord") and RESOURCES CONNECTION LLC, a Delaware limited liability company, with its office at 695 Town Center Drive, Suite 600, Costa Mesa, California 92626 (hereinafter referred to as "Tenant").

W I T N E S S E T H :

Landlord hereby leases and Tenant hereby hires from Landlord, in the building (hereinafter referred to as the "Building") known as 512 Seventh Avenue, New York, New York 10018, the following space: the entire thirty-ninth (39th) floor as shown hatched on the plan annexed hereto as Exhibit A (which space is hereinafter referred to as "the demised premises"); for a term of approximately ten (10) years and five (5) months, to commence five (5) days after the date Landlord delivers notice to Tenant that (i) vacant possession of the demised premises is available and (ii) the demolition of the demised premises and asbestos removal as provided in Sections 2.01(b) and (c) hereof, respectively, are substantially complete (hereinafter referred to as the "Commencement Date"), and shall end on the last day of the month in which occurs the ten (10) year five (5) month anniversary of the Rent Commencement Date (as defined in Section 1.05 hereof) (such date on which the term of the Lease expires is hereinafter referred to as the "Expiration Date") or on such date as such term shall sooner cease and terminate as hereinafter provided. In the event the Commencement Date shall not occur on or before August 1, 2001, then Tenant shall have the right to terminate this Lease by written notice given to Landlord within five (5) days after August 1, 2001 (the "Outside Date"), TIME BEING OF THE ESSENCE, and such termination shall be effective on the thirtieth (30th) day following the giving of Tenant's notice, unless the Commencement Date occurs within such thirty (30) day period. The Building is located on the land (herein called the "Land") described on Exhibit B annexed hereto).

The parties hereto, for themselves, their heirs, distributees, executors, administrators, legal representatives, trustees, successors and assigns, hereby covenant as follows:

ARTICLE 1

RENT

1.01 Tenant shall pay to Landlord a fixed annual rent (hereinafter referred to as "fixed annual rent") at the annual rate as follows:

(a) Five Hundred One Thousand Eight Hundred Fourteen and 00/100 (\$501,814.00) Dollars per annum, or Forty-One Thousand Eight Hundred Seventeen Thousand and 83/100 (\$41,817.83) Dollars per month, for the period commencing on the Rent

Commencement Date and ending on the last day of the month preceding the month in which occurs the fifth (5th/) anniversary of the Rent Commencement Date; and

(b) Five Hundred Twenty-Three Thousand Six Hundred Thirty-Two and 00/100 (\$523,632.00) Dollars per annum, or Forty-Three Thousand Six Hundred Thirty-Six and 00/100 (\$43,636.00) Dollars per month, for the period commencing on the first (1st) day of the month in which occurs the fifth (5th) anniversary of the Rent Commencement Date and ending on the Expiration Date.

Tenant agrees to pay the fixed annual rent in lawful money of the United States of America, in equal monthly installments in advance on the first day of each calendar month during said term, at the office of Landlord or such other place in the United States of America as Landlord may designate, without any setoff or deduction whatsoever, except such deduction as may be occasioned by the occurrence of any event permitting or requiring a deduction from or abatement of rent as specifically set forth in Articles 10 and 14 hereof. Should the obligation to pay fixed annual rent commence on any day other than on the first day of a month, then the fixed annual rent for such month shall be prorated on a per diem basis.

The first month's installment of fixed annual rent due under this Lease shall be paid by Tenant upon the execution of this Lease.

If this Lease be a renewal of any existing lease any rent due thereunder after the expiration of the term of such lease shall be deemed additional rent under this Lease.

1.02 Tenant shall pay the fixed annual rent and additional rent as above and as hereinafter provided, by good and sufficient check (subject to collection) drawn, at Tenant's election, on (x) a New York City bank which is a member of the New York Clearinghouse Association or a successor thereto, or (y) another commercial bank, the checks of which shall clear within three (3) days of deposit at a New York Clearinghouse Association bank. All sums other than fixed annual rent payable by Tenant hereunder shall be deemed additional rent (for default in the payment of which Landlord shall have the same remedies as for a default in the payment of fixed annual rent), and shall be payable on demand, unless other payment dates are hereinafter provided.

1.03 If Tenant shall fail to pay when due any installment of fixed annual rent or any payment of additional rent for a period of five (5) Business Days after such installment or payment shall have become due, Tenant shall pay interest thereon at the Interest Rate (as such term is defined in Article 22 hereof), from the date when such installment or payment shall have become due to the date of the payment thereof, and such interest shall be deemed additional rent.

1.04 If any of the fixed annual rent or additional rent payable under the terms and provisions of this Lease shall be or become uncollectible, reduced or required to be refunded because of any Legal Requirement (as such term is defined in Article 22 hereof), Tenant shall enter into such agreement(s) and take such other steps (without additional expense to Tenant) as Landlord may request and as may be legally permissible to permit Landlord to collect the maximum rents which from time to time during the continuance of such legal rent restriction may be legally permissible (and not in excess of the amounts reserved therefor under this Lease).

Upon the termination of such legal rent restriction, (a) the rents shall become and thereafter be payable in accordance with the amounts reserved herein for the periods following such termination and (b) Tenant shall pay to Landlord, to the maximum extent legally permissible, an amount equal to (i) the rents which would have been paid pursuant to this Lease but for such legal rent restriction less (ii) the rents paid by Tenant during the period such legal rent restriction was in effect.

1.05 Notwithstanding any language to the contrary contained herein, the fixed annual rent payable hereunder shall be abated during the period (the "Abatement Period") commencing on the Commencement Date and ending on the last day of the month preceding the month in which occurs the five (5) month anniversary of the Commencement Date (the date following the expiration of the Abatement Period is herein called the "Rent Commencement Date").

ARTICLE 2

PREPARATION OF THE DEMISED PREMISES

2.01 Tenant has examined the demised premises and agrees to accept the same in their condition and state of repair existing as of the date hereof subject to normal wear and tear and to the removal therefrom of the property of the existing tenant or occupant thereof, if any, and understands and agrees that Landlord shall not be required to perform any work, supply any materials or incur any expense to prepare the demised premises for Tenant's occupancy, except that Landlord, at Landlord's sole cost and expense, shall:

(a) provide to Tenant a reasonable number of connection points to the Building's Class E system to which it may connect its smoke detectors and other life safety and security devices in the demised premises to comply with applicable laws including, without limitation, New York City Local Law; provided, however, Tenant shall solely be responsible for the cost of making such connections;

(b) demolish portions of the demised premises (other than core areas therein) in accordance with Tenants's demolition plan prior to the commencement of performance of Tenant's Work (as that term is hereinafter defined), provided that Landlord approves such demolition plan, which approval shall not be unreasonably withheld or delayed and provided further that if Landlord fails to deliver its response to such demolition plan within ten (10) Business Days of receipt thereof, then such demolition plan shall be deemed approved by Landlord;

(c) remove asbestos in the demised premises in accordance with applicable legal requirements (including any vinyl asbestos tile except for minute traces thereof) to facilitate Tenant's Work in and to the demised premises, and deliver to Tenant an ACP-5 certificate in connection therewith;

(d) remove all existing exterior windows in the demised premises; and supply and install new thermopane exterior windows throughout the demised premises;

(e) deliver all existing radiators within the demised premises in good working order; and

(f) deliver the demised premises with the existing sprinkler loop in good working order.

2.02 If the Commencement Date is other than the specific date hereinabove set forth then Tenant shall at Landlord's request, execute a written agreement confirming the Commencement Date. Any failure of the parties to execute such written agreement shall not affect the validity of the Commencement Date as fixed and determined by Landlord as aforesaid.

ARTICLE 3

ADJUSTMENTS OF RENT

3.01 For the purposes of this Article 3, the following definitions shall apply:

(a) The term "Base Tax" shall mean the average of (x) the product obtained by multiplying (i) the assessed values of the Building and the parcel of land on which the Building is constructed (hereinafter called the "Land") for the purpose of establishing real estate taxes to be paid by Landlord for the Tax Year commencing July 1, 2000 and ending on June 30, 2001 by (ii) the real property tax rate for such Tax Year and (y) the product obtained by multiplying (i) the assessed values of the Building and the Land for the purpose of establishing real estate taxes to be paid by Landlord for the Tax Year commencing July 1, 2001 and ending on June 30, 2002 by (ii) the real property tax rate for such Tax Year.

(b) The term "Tenant's Proportionate Share" shall be deemed to mean two and thirteen hundredths (2.13%) percent.

(c) The term "Taxes" shall mean (i) all real estate taxes, assessments, sewer rents and water charges, governmental levies, municipal taxes, county taxes or any other governmental charge, general or special, ordinary or extraordinary, unforeseen as well as foreseen, of any kind or nature whatsoever, which are or may be assessed levied or imposed upon all or any part of the Land, the Building and the sidewalks, plazas or streets in front of or adjacent thereto, including any tax, excise or fee measured by or payable with respect to any rent, and levied against Landlord and/or the Land and/or Building, under the laws of the United States, the State of New York, or any political subdivision thereof, or by the City of New York or any political subdivision thereof and any charge imposed by any business improvement district, and (ii) any expenses incurred by Landlord in contesting any of the foregoing set forth in clause (i) of this sentence or the assessed valuations of all or any part of the Land and Building, etc. or collecting any refund. If, due to a future change in the method of taxation or in the taxing authority, a new or additional real estate tax, or a franchise, income, transit, profit or other tax or governmental imposition, however designated, shall be levied against Landlord, and/or the Land

and/or Building, in addition to, or in substitution in whole or in part for any tax which would constitute "Taxes", or in lieu of additional Taxes, such tax or imposition shall be deemed for the purposes hereof to be included within the term "Taxes".

(d) The term "Tax Year" shall mean each period of twelve (12) months, commencing on the first day of July of each such period, in which occurs any part of the term of this Lease or such other period of twelve months occurring during the term of this Lease as hereafter may be duly adopted as the fiscal year for real estate tax purposes of the City of New York.

(e) The term "Operating Year" shall mean the calendar year 2001 and each succeeding calendar year thereafter.

(f) The term "Wage Rate" with respect to any Operating Year shall mean the regular average hourly wage rate (without fringes) required to be paid to Porters in Class A Office Buildings pursuant to any agreement between the Realty Advisory Board on Labor Relations, Incorporated or any successor thereto (hereinafter referred to as "R.A.B.") and Local 32B/32J of the Building Service Employees International Union AFL-CIO, or any successor thereto (hereinafter referred to as "Local 32B") in effect during such Operating Year, provided that if any such agreement shall require Porters to be regularly employed on days or during hours when overtime or other premium pay rates are in effect, then the term "regular average hourly wage rate" shall mean the regular average hourly wage rate for the hours in a calendar week which Porters are required to be regularly employed (whether or not actually at work in the Building), e.g., if, for example, as of January 1, 2000, an agreement between R.A.B. and Local 32B would require the regular employment of Porters for 40 hours during a calendar week at a regular average hourly wage of \$4.00 for the first 30 hours and at an overtime hourly average wage of \$5.00 for the remaining 10 hours, then the regular average hourly wage rate under this subsection, as of January 1, 2000, would be the sum arrived at by dividing the total weekly average wages of \$170.00 by the total number of required hours of employment which is 40 and resulting in a regular average hourly wage rate of \$4.25. The computation of the regular average hourly wage rate shall be on the same basis whether based on an hourly or other pay scale but predicated on the number of hours in such respective work weeks, whether paid by Landlord or any independent contractor. If there is no such agreement in effect as of the date of any Escalation Statement on which such regular average hourly wage rate is determinable, the computations shall be made on the basis of the regular average hourly wage rate being paid by Landlord or by the contractor performing porter or cleaning services for Landlord as of the date of such Escalation Statement and appropriate retroactive adjustments shall be made when the regular average hourly wage rate paid as of such Escalation Statement is finally determined. If length of service shall be a factor in determining any element of wages it shall be conclusively presumed that all employees have at least three years of service. The Wage Rate is intended to be an index in the nature of a cost of living index, and is not intended to reflect the actual costs of wages or expenses for the Building.

(g) The term "Porters" shall mean that classification of employee engaged in the general maintenance and operation of Class A Office Buildings most nearly comparable to the classification now applicable to porters in the current agreements between R.A.B. and Local 32B/32J (which classification is presently termed "others" in said agreement).

(h) The term "Class A Office Buildings" shall mean office buildings in the same class or category as the Building under any building operating agreement between R.A.B. and Local 32B/32J, regardless of the designation given to such office buildings in any such agreement.

(i) The term "Base Wage Rate" shall mean the Wage Rate in effect on January 1, 2001.

(j) The term "Escalation Statement" shall mean a statement setting forth the amount payable by Tenant for a specified Tax Year or Operating Year (as the case may be) pursuant to this Article 3.

(k) The term "Wage Rate Multiple" shall mean 10,909.

3.02 If the Wage Rate for any Operating Year shall be greater than the Base Wage Rate, then Tenant shall in the case of such an increase pay to Landlord as additional rent for the demised premises for such Operating Year an amount equal to the product obtained by multiplying one hundred (100%) percent of the difference between the Wage Rate for such Operating Year and the Base Wage Rate, by the Wage Rate Multiple (the "Wage Increase"). Notwithstanding anything herein to the contrary, Landlord and Tenant hereby agree that the Wage Increase for any given Operating Year shall in no event be greater than four percent (4%) or less than three percent (3%) from the preceding Operating Year.

3.03 A. Tenant shall pay as additional rent for each Tax Year a sum (hereinafter referred to as "Tenant's Tax Payment") equal to Tenant's Proportionate Share of the amount by which the Taxes for such Tax Year exceed the Base Tax. Tenant's Tax Payment for each Tax Year shall be due and payable in two (2) equal installments, in advance, (i.e., on the first day of each June and December during each Tax Year) based upon the Escalation Statement furnished prior to the commencement of such Tax Year, until such time as a new Escalation Statement for a subsequent Tax Year shall become effective. If an Escalation Statement is furnished to Tenant after the commencement of a Tax Year in respect of which such Escalation Statement is rendered, Tenant shall, within fifteen (15) days thereafter, pay to Landlord an amount equal to the amount of any underpayment of Tenant's Tax Payment with respect to such Tax Year and, in the event of an overpayment, Landlord shall permit Tenant to credit against subsequent payments under this Section 3.03 the amount of Tenant's overpayment. If there shall be any increase in Taxes for any Tax Year, whether during or after such Tax Year, Landlord shall furnish a revised Escalation Statement for such Tax Year, and Tenant's Tax Payment for such Tax Year shall be adjusted and paid in the same manner as provided in the preceding sentence. If during the term of this Lease, Taxes are required to be paid (either to the appropriate taxing authorities or as tax escrow payments to a superior mortgagee) in full or in monthly, quarterly, or other installments, on any other date or dates than as presently required, then at Landlord's option, Tenant's Tax Payments shall be correspondingly accelerated or revised so that said Tenant's Tax Payments are due at least thirty (30) days prior to the date payments are due to the taxing authorities or the superior mortgagee. The benefit of any discount for any early payment or prepayment of Taxes shall accrue solely to the benefit of Landlord and such discount shall not be subtracted from Taxes.

B. If the real estate tax fiscal year of The City of New York shall be changed during the term of this Lease, any Taxes for such fiscal year, a part of which is included within a particular Tax Year and a part of which is not so included, shall be apportioned on the basis of the number of days in such fiscal year included in the particular Tax Year for the purpose of making the computations under this Section 3.03.

C. If Landlord shall receive a refund of Taxes for any Tax Year, Landlord shall permit Tenant to credit against subsequent payments under this Section 3.03 Tenant's Proportionate Share of the refund but not to exceed Tenant's Tax Payment paid for such Tax Year.

D. If the Base Tax is reduced as a result of a certiorari proceeding or otherwise Landlord shall adjust the amounts previously paid by Tenant pursuant to the provisions of this Section 3.03 and Tenant shall pay the amount of said adjustment within thirty (30) days after demand setting forth the amount of said adjustment.

3.04 Tenant shall pay to Landlord upon demand, as additional rent, any occupancy tax or rent tax now in effect or hereafter enacted, if payable by Landlord in the first instance or hereafter required to be paid by Landlord.

3.05 Any such adjustment payable by reason of the provisions of Section 3.02 shall commence as of the first day of the relevant Operating Year and, after Landlord shall furnish Tenant with an Escalation Statement relating to such Operating Year, all monthly installments of rental shall reflect one-twelfth (1/12) of the annual amount of such adjustment until a new adjustment becomes effective pursuant to the provisions of this Article 3, provided, however, that if said Escalation Statement is furnished to Tenant after the commencement of such Operating Year, there shall be promptly paid by Tenant to Landlord, an amount equal to the portion of such adjustment allocable to the part of such Operating Year which shall have elapsed prior to the first day of the calendar month next succeeding the calendar month in which said Escalation Statement is furnished to Tenant.

3.06 In the event that the Commencement Date shall be other than the first day of a Tax Year or an Operating Year or the date of the expiration or other termination of this Lease shall be a day other than the last day of a Tax Year or an Operating Year, then, in such event, in applying the provisions of this Article 3 with respect to any Tax Year or Operating Year in which such event shall have occurred, appropriate adjustments shall be made to reflect the occurrence of such event on a basis consistent with the principles underlying the provisions of this Article 3 taking into consideration the portion of such Tax Year or Operating Year which shall have elapsed after the term hereof commences in the case of the Commencement Date, and prior to the date of such expiration or termination in the case of the Expiration Date or other termination.

3.07 Payments shall be made pursuant to this Article 3 notwithstanding the fact that an Escalation Statement is furnished to Tenant after the expiration of the term of this Lease.

3.08 In no event shall the fixed annual rent ever be reduced by operation of this Article 3 and the rights and obligations of Landlord and Tenant under the provisions of this Article 3 with respect to any additional rent shall survive the termination of this Lease.

3.09 Landlord's failure to render an Escalation Statement with respect to any Tax Year or Operating Year, respectively, shall not prejudice Landlord's right to thereafter render an Escalation Statement with respect thereto or with respect to any subsequent Tax Year or Operating Year. Tenant's obligation to pay escalation for any Tax or Operating Year during the term of this Lease shall survive the expiration or earlier termination of this Lease.

3.10 Each Escalation Statement shall be conclusive and binding upon Tenant unless within ninety (90) days after receipt of such Escalation Statement Tenant shall notify Landlord that it disputes the correctness of such Escalation Statement, specifying the particular respects in which such Escalation Statement is claimed to be incorrect. Any dispute relating to any Escalation Statement not resolved within one hundred twenty (120) days after the giving of such Escalation Statement may be submitted to arbitration by either party pursuant to Article 38 hereof. Pending the determination of such dispute, Tenant shall pay additional rent in accordance with the Escalation Statement that Tenant is disputing, without prejudice to Tenant's position. If the dispute shall be determined in Tenant's favor, Landlord shall forthwith pay to Tenant the amount of Tenant's overpayment of rents resulting from compliance with Landlord's Escalation Statement.

ARTICLE 4

ELECTRICITY

4.01 Tenant agrees that Landlord shall furnish electricity to Tenant on a "submetering" basis. Landlord shall install any submeters required in Landlord's reasonable judgment in the demised premises, at Tenant's sole cost and expense. Electricity and electric service, as used herein, shall mean any element affecting the generation, transmission, and/or distribution or redistribution of electricity, including, but not limited to, services which facilitate the distribution of service.

4.02 Tenant covenants and agrees to purchase electricity from Landlord or Landlord's designated agent at charges, terms and rates, including, without limitation, fuel adjustments and taxes, equal to those specified in the Con Edison SC#4-I rate schedule effective on the date Landlord first provides electricity to the demised premises on a submetering basis (the "effective" date), or any successor rate schedule or service classification, plus ten percent (10%) for transmission line loss and other redistribution costs. Where more than one meter measures the service of Tenant in the Building, the service rendered through each meter may be computed and billed separately in accordance with the rates herein. Bills therefore shall be rendered at such times as Landlord may elect and the amount, as computed from a meter, shall be deemed to be, and be paid as, additional charges. In the event that such amounts are not paid within thirty (30) days after the same are received, Landlord may, without further notice, discontinue the service of electric current to the demised premises without releasing Tenant from any liability under this Lease and without Landlord or Landlord's agent incurring any liability for any damage or loss sustained by Tenant by such discontinuance of service. If any tax is

imposed upon Landlord's receipt from the sale or resale of electrical energy or gas or telephone service to Tenant by any Federal, State or Municipal authority, Tenant covenants and agrees that where permitted by law, Tenant's pro-rata share of such taxes shall be passed on to and included in the amount of, and paid by, Tenant to Landlord.

4.03 If all or part of the submetering additional rent payable in accordance with this Article 4 becomes uncollectible or reduced or refunded by virtue of any law, order or regulation, the parties agree that, at Landlord's option, in lieu of submetering additional charges, and in consideration of Tenant's use of the Building's electrical distribution system and receipt of redistributed electricity and payment by Landlord of consultant's fees and other redistribution costs, the fixed annual rent to be paid under this Lease shall be increased by an "alternative charge" which shall be a sum equal to Three Dollars (\$3.00) per year per rentable square foot of the demised premises, changed in the same percentage as any increases in the cost to Landlord for electricity for the entire Building subsequent to January 1, 2000 because of electric rate or service classification or market price changes. In no event shall the fixed annual rent under this Lease be reduced below the amount set forth in Section 1.01 hereof by virtue of this Section 4.03.

4.04 Landlord shall not be liable for any loss or damage or expense which Tenant may sustain or incur if either the quantity or character of electric service is changed or is no longer available or suitable for Tenant's requirements other than by reason of Landlord's negligence or willful misconduct. Tenant covenants and agrees that at all times its use of electric current shall never exceed the capacity of existing feeders to the Building or wiring installation. Tenant agrees not to connect any additional electrical equipment to the Building electric distribution system, other than lamps and small office machines and personal computers which consume comparable amounts of electricity, without Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed. Any riser or risers to supply Tenant's electrical requirements, upon written request of Tenant, will be installed by Landlord, at the sole cost and expense of Tenant, if, in Landlord's sole judgment, the same are necessary and will not cause permanent damage or injury to the Building or demised premises or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations, repairs or expenses or otherwise interfere with or disturb other tenants or occupants of the Building. In addition to the installation of such riser or risers, Landlord will also at the sole cost and expense of Tenant, install all other equipment proper and necessary in connection therewith subject to the aforesaid terms and conditions. The parties acknowledge that they understand that it is anticipated that electric rates, charges, etc., may be changed by virtue of time-of-day rates or other methods of billing, electricity purchases and the redistribution thereof, and that the references in the foregoing paragraphs to changes in methods of or rules on billing are intended to include any such changes. Anything hereinabove to the contrary notwithstanding, in no event is the submetering additional rent or any "alternative charge", to be less than an amount equal to the total of Landlord's payment to public utilities and/or other providers for the electricity consumed by Tenant (and any taxes thereon or on redistribution of same) plus ten percent (10%) for transmission line loss and other redistribution costs. The Landlord reserves the right to terminate the furnishing of electricity upon sixty (60) days' written notice to Tenant, in which event the Tenant may make application in writing to the public utility and/or other providers for the Tenant's entire separate supply of electric current and Landlord shall permit its wires and conduits, to the extent available and safely capable, to be used for such purpose, but only to the

extent of Tenant's then authorized load. Any meters, risers, or other equipment or connections necessary to furnish electricity on a submetering basis or to enable Tenant to obtain electric current directly from such utility and/or other providers shall be installed at Tenant's sole cost and expense. Only rigid conduit or electrical metal tubing (EMT) will be allowed. The Landlord, upon the expiration of the aforesaid sixty (60) days' written notice to Tenant may discontinue furnishing the electric current but this Lease shall otherwise remain in full force and effect.

4.05 Tenant's use of electric energy in the demised premises shall not at any time exceed the capacity of any of the electrical conductors and equipment in or otherwise serving the demised premises (as described in Section 4.04 hereof). In order to insure that such capacity is not exceeded and to avert possible adverse effect upon the Building's distribution of electricity via the Building's electric system, Tenant shall not, without Landlord's prior consent in each instance (which consent shall not be unreasonably withheld or delayed), connect any fixtures, appliances or equipment (other than normal business machines and personal computers, and servers which do not materially increase Tenant's electrical consumption) to the Building's electric system or make any alterations or additions to the electric system of the demised premises existing on the Commencement Date. Landlord shall make electrical energy available at a level sufficient to accommodate a connected load of six (6) watts per rentable square foot of the demised premises; provided, however, such electrical energy shall be terminated at a disconnect switch within an electrical closet located within the demised premises and designated by Landlord. Landlord shall also make electrical energy available at a level sufficient to accommodate the Unit (as defined in Section 21.05 hereof) serving the demised premises.

4.06 (a) Tenant agrees not to connect any additional electrical equipment of any type to the Building electric distribution system, other than personal computers and servers, lamps, typewriters and other normal business machines which consume comparable amounts of electricity, without the Landlord's prior written consent, which consent shall not be unreasonably withheld. Any additional risers, feeders, or other equipment proper or necessary to supply Tenant's electrical requirements, upon written request of Tenant, will be installed by Landlord, at the sole cost and expense of Tenant, if, in Landlord's sole judgment, the same are necessary and will not cause permanent damage or injury to the Building or the demised premises, or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations, repair or expense or interfere with or disturb other tenants or occupants.

(b) At Landlord's option, Tenant shall purchase from Landlord or Landlord's agent all lighting tubes, lamps, bulbs and ballasts used in the demised premises and Tenant shall pay Landlord's commercially reasonable charges for providing and installing same, on demand, as additional rent.

4.07 In no event shall the fixed annual rent under this Lease be reduced below the amount set forth in Section 1.01 hereof by virtue of this Article 4.

ARTICLE 5

USE

5.01 The demised premises shall be used solely as and for general office purposes and for no other purposes.

5.02 Tenant shall not use or permit the use of the demised premises or any part thereof in any way which would violate any of the covenants, agreements, terms, provisions and conditions of this Lease or for any unlawful purposes or in any unlawful manner or in violation of the Certificate of Occupancy for the demised premises or the Building, and Tenant shall not suffer or permit the demised premises or any part thereof to be used in any manner or anything to be done therein or anything to be brought into or kept therein which, in the judgment of Landlord, shall in any way impair or tend to impair the character, reputation or appearance of the Building as a high quality office building, impair or interfere with or tend to impair or interfere with any of the Building services or the proper and economic heating, cleaning, air conditioning or other servicing of the Building or the demised premises, or impair or interfere with or tend to impair or interfere with the use of any of the other areas of the Building by, or occasion discomfort, inconvenience or annoyance to, any of the other tenants or occupants of the Building. Tenant shall not install any electrical or other equipment of any kind which, in the judgment of Landlord, might cause any such impairment, interference, discomfort, inconvenience or annoyance.

ARTICLE 6

ALTERATIONS AND INSTALLATIONS

6.01 Tenant shall make no alterations, installations, additions or improvements in or to the demised premises without Landlord's prior written consent, the same not to be unreasonably withheld or delayed, provided such alterations, installations, additions or improvements will not affect the outside of the Building or any area outside the demised premises or adversely affect its structure, electrical, HVAC, plumbing or mechanical systems, and then such alterations, installations, additions or improvements will be performed only by bondable contractors or mechanics first reasonably approved by Landlord. Landlord hereby approves the contractors specified on Exhibit G annexed hereto and made a part hereof. All such work, alterations, installations, additions or improvements shall be done at Tenant's sole expense (except as otherwise provided in Sections 50.06 and 50.07 hereof) and at such times and in such manner as Landlord may from time to time reasonably designate, except that Tenant shall be obligated to use Landlord's designated contractor for any connection to the Building's fire safety system. Tenant agrees that any demolition, core drilling or other alteration work which shall disturb other tenants of the Building shall be performed on an overtime basis at Tenant's sole cost and expense. In connection with any alterations costing in excess of Fifty Thousand (\$50,000) Dollars (excluding Tenant's Work and Base Work, as defined in Article 50, provided Tenant shall use bondable contractors and subcontractors in connection with the performance of the same), Tenant shall also provide at Landlord's request such financial security as Landlord shall require to guarantee completion of work performed by Tenant pursuant to this Article 6 and

payment of all contractors and suppliers utilized in connection therewith. Notwithstanding anything to the contrary contained herein, Landlord's prior written consent shall not be required for purely cosmetic or decorative work (e.g., painting and carpeting), provided such work is in accordance with the

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Building Standard (as defined in Section 50.05(i) hereof).

Any installations, materials and work which may be undertaken by or for the account of Tenant to prepare, equip, decorate and furnish the demised premises for Tenant's occupancy and any future work in the demised premises shall be effected solely in accordance with plans and specifications first approved in writing by Landlord. Landlord's approval of such plans and specifications shall not be unreasonably withheld or delayed, provided that the work shown thereon (i) shall be non-structural, (ii) shall not effect any area of the Building outside of the demised premises and (iii) shall not adversely affect any mechanical systems of the Building. Tenant shall reimburse Landlord promptly upon demand for any reasonable out-of-pocket costs and expenses incurred by Landlord in connection with Landlord's review of such Tenant's plans and specifications. Landlord will not unreasonably withhold or delay its consent to requests for nonstructural alterations, additions and improvements provided they will not affect the outside of the Building or any area outside the demised premises or adversely affect its structure, electrical, HVAC, plumbing or mechanical systems.

Any such approved alterations and improvements shall be performed in accordance with the foregoing and the following provisions of this Article 6:

- (i) All work shall be done in a good and workmanlike manner.
- (ii) In the event Tenant shall employ any contractor to do in the demised premises any work permitted by this Lease, such contractor and any subcontractor shall agree to employ only such labor as will not result in jurisdictional disputes or strikes or result in causing disharmony with other workers employed at the Building.
- (iii) All such alterations shall be effected in compliance with all applicable laws, ordinances, rules and regulations of governmental bodies having or asserting jurisdiction in the demised premises and in accordance with Landlord's Rules and Regulations with respect to alterations. Landlord's Alteration Rules and Regulations are set forth in Exhibit F attached hereto and made a part hereof. In the event of any conflict between the provisions of Landlord's Rules and Regulations and this Article 6, the provisions of this Article 6 shall prevail.
- (iv) Tenant shall keep the Building and the demised premises free and clear of all liens for any work or material claimed to have been furnished to Tenant or to the demised premises on Tenant's behalf, and all work to be performed by Tenant shall be done in a manner which will not unreasonably interfere with or disturb other tenants or occupants of the Building.

- (v) During the progress of the work to be done by Tenant, said work shall be subject to inspection by representatives of Landlord who shall be permitted access to the demised premises and the opportunity to inspect, at all reasonable times, after reasonable prior notice (which may be oral and except in emergencies), but this provision shall not in any way whatsoever create any obligation on Landlord to conduct such an inspection.
- (vi) With respect to alteration or improvement work costing more than Seventy Five Thousand Dollars (\$75,000), Tenant agrees to pay to Landlord's managing agent, as additional rent, promptly upon being billed therefor, a sum equal to ten (10%) percent of the cost of such work or alteration, for Landlord's indirect costs, field supervision and coordination in connection with such work.
- (vii) Prior to commencement of any work, Tenant shall furnish to Landlord certificates evidencing the existence of:
 - (1) workmen's compensation insurance covering all persons employed for such work; and
 - (2) reasonable comprehensive general liability and property damage insurance naming Landlord, its designees and Tenant as insureds, with minimum limits as set forth in Article 9 of this Lease.
- (viii) Before commencing any work (excluding Tenant's Work and Base Work, as defined in Article 50, provided Tenant shall use bondable contractors and subcontractors in connection with the performance of the same), Tenant shall furnish to Landlord such bonds for payment and completion or such other security for completion thereof and payment therefor as Landlord shall reasonably require and in such form as is reasonably satisfactory to Landlord and in an amount which will be one hundred twenty percent (120%) of Landlord's estimate of the cost of performing such work as specified by Tenant's general contractor in its contract with Tenant for the performance of such work.
- (ix) Any work affecting any mechanical systems of the Building, including, without limitation, the electrical, plumbing and life safety systems, shall be performed at Tenant's expense by a contractor designated by Landlord, provided charges of such contractors shall be commercially reasonable.

Notice is hereby given that Landlord shall not be liable for any labor or materials furnished or to be furnished to Tenant upon credit, and that no mechanic's or other lien for any such labor or

materials shall attach to or affect the reversion or other estate or interest of Landlord in and to the demised premises.

6.02 Any mechanic's lien, filed against the demised premises or the Building for work claimed to have been done for, or materials claimed to have been furnished to, Tenant shall be discharged by Tenant at its expense within thirty (30) days after such filing, by payment, filing of the bond required by law or otherwise.

6.03 All alterations, installations, additions and improvements made and installed by Landlord, including without limitation any work referred to in Article 2 hereof shall be the property of Landlord and shall remain upon and be surrendered with the demised premises as a part thereof at the end of the term of this Lease.

6.04 All alterations, installations, additions and improvements made and installed by Tenant, or at Tenant's expense, upon or in the demised premises which are of a permanent nature and which cannot be removed without damage to the demised premises or Building shall become and be the property of Landlord, and shall remain upon and be surrendered with the demised premises as a part thereof at the end of the term of this Lease, except that Landlord shall have the right and privilege at any time up to six (6) months prior to the expiration of the term of this Lease to serve notice upon Tenant that any "Non-Standard Changes" (as hereinafter defined in this Section 6.04) shall be removed and, in the event of service of such notice, Tenant will, at Tenant's own cost and expense, remove the same in accordance with such request, repair any damage to the demised premises caused by such removal and restore the demised premises to their original condition, ordinary wear and tear and casualty excepted; provided that Landlord shall have advised Tenant at the time it consented to any such Non-Standard Change that Landlord may require its removal at the end of the Term if Tenant shall have requested such advice when it requested Landlord's consent to such change. For the purposes of this Article 6, "Non-Standard Change" shall mean the following non-standard Building improvements: auditoriums or similar type special use areas, vaults, atriums, kitchen equipment and installations, internal stairways, slab reinforcements which reduce the height of the finished ceiling from the floor or impede the installation of duct work and other normal installations above the finished ceiling, and any other change or alteration which is not suitable for normal office occupancy or which would be unusually difficult or unusually costly to remove in comparison to the usual changes or alterations required for general office purposes.

6.05 Where furnished by or at the expense of Tenant all furniture, furnishings, equipment and trade fixtures, including without limitation, murals, business machines and equipment, counters, screens, grille work, special panelled doors, cages, movable partitions, metal railings, movable closets, panelling, lighting fixtures and equipment, drinking fountains, refrigeration and air handling equipment, and any other movable property shall remain the property of Tenant which Tenant may, at its option, remove all or any part thereof at any time prior to the expiration of the term of this Lease. In case Tenant shall decide not to remove any

part of such property, Tenant shall notify Landlord in writing not less than three (3) months prior to the expiration of the term of this Lease, specifying the items of property which it has decided not to remove. If, within thirty (30) days after the service of such notice, Landlord shall request Tenant to remove any of the said property, Tenant shall, at its expense, remove the same and at Landlord's option either repair any damage caused by such removal or restore the affected portion of the demised premises to its original condition. As to such property which Landlord does not request Tenant to remove, the same shall be, if left by Tenant, deemed abandoned by Tenant and thereupon the same shall become the property of Landlord.

If any alterations, installations, additions, improvements or other property which Tenant shall have the right to remove or be requested by Landlord to remove as provided in Sections 6.04 and 6.05 hereof (herein in this Section 6.06 called the "property") are not removed on or prior to the expiration of the term of this Lease, Landlord shall have the right to remove the property and to dispose of the same without accountability to Tenant and at the sole cost and expense of Tenant. In case of any damage to the demised premises or the Building resulting from the removal by Tenant or its employees, agents or contractors of the property of Tenant, Tenant shall repair such damage or, in default thereof, shall reimburse Landlord for Landlord's cost in repairing such damage. This obligation shall survive any termination of this Lease.

6.06 Tenant shall keep records of Tenant's alterations, installations, additions and improvements costing in excess of Fifty Thousand Dollars (\$50,000), and of the cost thereof. Tenant shall, within thirty (30) days after demand by Landlord, furnish to Landlord copies of such records and cost if Landlord shall require same in connection with any proceeding to reduce the assessed valuation of the Building, or in connection with any proceeding instituted pursuant to Article 16 hereof.

ARTICLE 7

REPAIRS

7.01 Tenant shall take good care of the demised premises and the fixtures, equipment and appurtenances therein and shall, at its sole cost and expense, make such repairs to the demised premises and the fixtures, equipment and appurtenances therein as are necessitated by the (i) act, omission, occupancy or negligence of Tenant or Tenant's employees, contractors, invitees, licensees or other occupants of the demised premises or (ii) use of the demised premises in a manner contrary to the purposes for which same are leased to Tenant, as and when needed to preserve them in good working order and condition. Notwithstanding the foregoing, all damage or injury to the Building, or to its fixtures, equipment and appurtenances, whether requiring structural or non-structural repairs, caused by or resulting from the act, omission, occupancy or negligence of Tenant or Tenant's employees, contractors, invitees, licensees or other occupants of the demised premises, shall be repaired promptly by Tenant (or by Landlord, if a structural repair), at Tenant's sole cost and expense. Except as otherwise provided in Section 9.05 hereof, all damage or injury to the demised premises and to its fixtures, appurtenances and equipment or to the Building or to its fixtures, appurtenances and equipment caused by Tenant moving property into or out of the Building or by installation or removal of furniture, fixtures or other property, shall be repaired, restored or replaced promptly by Tenant at its sole cost and expense, which repairs, restorations and replacements shall be in quality and class equal to the original

work or installations. If Tenant fails to make such repairs, restoration or replacements within the time period set forth in Section 16.02(b) hereof, the same may be made by Landlord at the expense of Tenant and such expense shall be collectible as additional rent and shall be paid by Tenant within fifteen (15) days after rendition of a bill therefor.

The exterior walls of the Building, the portions of any window sills outside the windows, the windows, the fire stairs, utility closets and any shafts passing through the floor on which the demised premises are located are not part of the premises demised by this Lease, and Landlord reserves all rights to such parts of the Building.

7.02 Tenant shall not place a load upon any floor of the demised premises exceeding the floor load per square foot area which such floor was designed to carry and which is allowed by law.

7.03 Business machines and mechanical equipment used by Tenant which cause vibration, noise, cold or heat that may be transmitted to the Building structure or to any leased space to such a degree as to be objectionable to Landlord or to any other tenant in the Building shall be placed and maintained by Tenant at its expense in settings of cork, rubber or spring type vibration eliminators sufficient to absorb and prevent such vibration or noise, or prevent transmission of such cold or heat. The parties hereto recognize that the operation of elevators, air conditioning and heating equipment will cause some vibration, noise, heat or cold which may be transmitted to other parts of the Building and demised premises. Landlord shall be under no obligation to endeavor to reduce such vibration, noise, heat or cold.

7.04 Except as otherwise specifically provided in this Lease, there shall be no allowance to Tenant for a diminution of rental value and no liability on the part of Landlord by reason of inconvenience, annoyance or injury to business arising from the making of any repairs, alterations, additions or improvements in or to any portion of the Building or the demised premises or in or to fixtures, appurtenances or equipment thereof.

7.05 Landlord, at its expense, shall keep and maintain the Building and its systems and facilities serving the demised premises, in good working order, condition and repair and shall make all repairs, structural and otherwise, interior and exterior, as and when needed in or about the demised premises, except for those repairs for which Tenant is responsible pursuant to any other provisions of this Lease.

7.06 Notwithstanding any contrary provision contained in this Lease, in the event that a portion of or the entire demised premises is rendered untenable due to an Abatement Event (as such term is hereinafter defined) for a period of at least seven (7) consecutive days, then, provided Tenant actually vacates (as to personnel and conduct of business) the demised premises or a portion thereof so affected during such period of untenability, the fixed rent payable hereunder shall abate in proportion to the portion that is rendered untenable for the remainder of such period of untenability. Tenant shall provide written notice (hereinafter called the "Abatement Event Notice") of the Abatement Event on or before the second (2nd) Business Day following the day on which the Abatement Event commences, and in the event that Tenant shall fail to give the Abatement Event Notice on or before such second (2nd) Business Day, the seven (7) day period referred to in the immediately

preceding sentence shall be extended by one (1) day for each day following such second (2nd) Business Day until Tenant gives the Abatement Event Notice. As used herein, the term "Abatement Event" shall mean the interruption of utilities or unreasonable interference with Tenant's business caused by the making of the repairs in accordance with this Article 7, provided that Tenant, its employees or its agents shall not have necessitated such repairs.

7.07 Landlord, at its expense, shall keep and maintain the Building and its systems and facilities serving the demised premises, in good working order, condition and repair and shall make all repairs, structural and otherwise, interior and exterior, as and when needed in or about the demised premises, except for those repairs for which Tenant is responsible pursuant to any other provisions of this Lease.

ARTICLE 8

REQUIREMENTS OF LAW

8.01 Tenant, at Tenant's sole cost and expense, shall comply with all laws, orders and regulations of federal, state, county and municipal authorities, and with any direction of any public officer or officers, pursuant to law, which shall impose any violation, order or duty upon Landlord or Tenant with respect to the demised premises, or the use or occupation thereof. Notwithstanding the foregoing, Tenant shall not be required to make any structural alterations in the demised premises or any alterations to Building systems and facilities serving the demised premises to comply with laws unless the necessity for same shall arise from Tenant's manner of use of the demised premises or the operation of its installations, equipment or other property in the demised premises, any cause or condition created by or at the instance of Tenant or any breach of Tenant's obligations under this Lease. Landlord, at its expense, shall comply with all other such laws and requirements of public authorities as shall affect the demised premises, but Landlord reserves the right to defer compliance therewith if Landlord contests the same in good faith.

8.02 Notwithstanding the provisions of Section 8.01 hereof, Tenant, at its own cost and expense, may contest, in any manner permitted by law (including appeals to a court, or governmental department or authority having jurisdiction in the matter), the validity or the enforcement of any governmental act, regulation or directive with which Tenant is required to comply pursuant to this Lease, and may defer compliance therewith provided that:

(a) such non-compliance shall not subject Landlord to criminal prosecution or subject the Land and/or Building to lien or sale;

(b) such non-compliance shall not be in violation of any fee mortgage, or of any ground or underlying lease or any mortgage thereon;

(c) Tenant shall first deliver to Landlord a surety bond issued by a surety company of recognized responsibility, or other security satisfactory to Landlord, indemnifying and protecting Landlord against any loss or injury by reason of such non-compliance; and

(d) Tenant shall promptly and diligently prosecute such contest.

Landlord, without expense or liability to it, shall cooperate with Tenant and execute any documents or pleadings required for such purpose, provided that Landlord shall reasonably be satisfied that the facts set forth in any such documents or pleadings are accurate.

ARTICLE 9

INSURANCE, LOSS, REIMBURSEMENT, LIABILITY

9.01 Tenant shall not cause, do, or permit to be done any act or thing upon the demised premises, which will invalidate or be in conflict with New York standard fire insurance policies covering the Building, and fixtures and property therein, or which would increase the rate of fire insurance applicable to the Building to an amount higher than it otherwise would be; and Tenant shall neither do nor permit to be done any act or thing upon the demised premises which shall or might subject Landlord to any liability or responsibility for injury to any person or persons or to property by reason of any business or operation being carried on within the demised premises; but nothing in this Section 9.01 shall prevent Tenant's use of the demised premises for the purposes stated in Article 5 hereof.

9.02 If, as a result of any act or omission by Tenant or violation of this Lease, the rate of fire insurance applicable to the Building shall be increased to an amount higher than it otherwise would be, Tenant shall reimburse Landlord for all increases of Landlord's fire insurance premiums so caused; such reimbursement to be additional rent payable upon the first day of the month following any outlay by Landlord for such increased fire insurance premiums. In any action or proceeding wherein Landlord and Tenant are parties, a schedule or "make-up" of rates for the Building or demised premises issued by the body making fire insurance rates for the demised premises, shall be presumptive evidence of the facts therein stated and of the several items and charges in the fire insurance rate then applicable to the demised premises.

9.03 Landlord or its agents shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain or snow or leaks from any part of the Building, or from the pipes, appliances or plumbing works or from the roof, street or subsurface or from any other place or by dampness or by any other cause of whatsoever nature, unless any of the foregoing shall be caused by or due to the negligence of Landlord, its agents, servants or employees.

9.04 Landlord or its agents shall not be liable for any damage which Tenant may sustain, if at any time any window of the demised premises is broken, or temporarily or permanently (restricted to windows on a lot line, if permanently) closed, darkened or bricked up for any reason whatsoever, except only Landlord's arbitrary acts if the result is permanent, and Tenant shall not be entitled to any compensation therefor or abatement of rent or to any release from any of Tenant's obligations under this Lease, nor shall the same constitute an eviction.

9.05 Tenant shall reimburse Landlord for all expenses, damages or fines incurred or suffered by Landlord, by reason of any breach, violation or non-performance by Tenant, or its agents, servants or employees, of any covenant or provision of this Lease, or by reason of damage to persons or property caused by moving property of or for Tenant in or out of

the Building, or by the installation or removal of furniture or other property of or for Tenant except as provided in Section 6.05 of this Lease, or by reason of or arising out of the carelessness, negligence or improper conduct of Tenant, or its agents, servants or employees, in the use or occupancy of the demised premises. Subject to the provisions of Section 8.02 hereof, where applicable, Tenant shall have the right, at Tenant's own cost and expense, to participate in the defense of any action or proceeding brought against Landlord, and in negotiations for settlement thereof if, pursuant to this Section 9.05, Tenant would be obligated to reimburse Landlord for expenses, damages or fines incurred or suffered by Landlord. In no event shall either party hereunder be liable to the other for consequential damages, other than any liability of Tenant arising out of any breach by Tenant of its obligations under Article 28 hereof which breach continues for thirty (30) days.

9.06 Tenant shall give Landlord notice in case of fire or accidents in the demised premises promptly after Tenant is aware of such event.

9.07 Tenant agrees to look solely to Landlord's estate and interest in the Land and Building, or the lease of the Building, or of the Land and Building, and the demised premises, for the satisfaction of any right or remedy of Tenant for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord, in the event of any liability by Landlord, and no other property or assets of Landlord (or the partners or members thereof if Landlord is other than an individual or corporation) shall be subject to levy, execution, attachment, or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, the relationship of Landlord and Tenant hereunder, or Tenant's use and occupancy of the demised premises, or any other liability of Landlord to Tenant.

9.08 (a) Landlord agrees that, if obtainable at no additional cost, it will include in its fire insurance policies appropriate clauses pursuant to which the insurance companies (i) waive all right of subrogation against Tenant with respect to losses payable under such policies and/or (ii) agree that such policies shall not be invalidated should the insured waive in writing prior to a loss any or all right of recovery against any party for losses covered by such policies. But should any additional premiums be exacted for any such clause or clauses, Landlord shall be released from the obligation hereby imposed unless Tenant shall agree to pay such additional premium.

(b) Tenant agrees to include, if obtainable at no additional cost, in its fire insurance policy or policies on its furniture, furnishings, fixtures and other property removable by Tenant under the provisions of this Lease appropriate clauses pursuant to which the insurance company or companies (i) waive the right of subrogation against Landlord and any tenant of space in the Building with respect to losses payable under such policy or policies and/or (ii) agree that such policy or policies shall not be invalidated should the insured waive in writing prior to a loss any or all right of recovery against any party for losses covered by such policy or policies. But should any additional premium be exacted for any such clause or clauses, Tenant shall be released from the obligation hereby imposed unless Landlord or the other tenants shall agree to pay such additional premium.

(c) Provided that Landlord's right of full recovery under its policy or policies aforesaid is not adversely affected or prejudiced thereby, Landlord hereby waives any

and all right of recovery which it might otherwise have against Tenant, its servants, agents and employees, for loss or damage occurring to the Building and the fixtures, appurtenances and equipment therein, to the extent the same is covered by Landlord's insurance, notwithstanding that such loss or damage may result from the negligence or fault of Tenant, its servants, agents or employees. Provided that Tenant's right of full recovery under its aforesaid policy or policies is not adversely affected or prejudiced thereby, Tenant hereby waives any and all right of recovery which it might otherwise have against Landlord, its servants, agents and employees, and against every other tenant in the Building who shall have executed a similar waiver as set forth in this Section 9.08(c) for loss or damage to, Tenant's furniture, furnishings, fixtures and other property removable by Tenant under the provisions hereof to the extent that same is covered by Tenant's insurance, notwithstanding that such loss or damage may result from the negligence or fault of Landlord, its servants, agents or employees, or such other tenant and the servants, agents or employees thereof.

(d) Landlord and Tenant hereby agree to advise the other promptly if the clauses to be included in their respective insurance policies pursuant to subdivisions 9.08 (a) and (b) hereof cannot be obtained. Landlord and Tenant hereby also agree to notify the other promptly of any cancellation or change of the terms of any such policy which would affect such clauses.

9.09 Tenant covenants and agrees to provide on or before the Commencement Date and to keep in force during the term hereof for the benefit of Landlord and Tenant the following insurance policy naming Landlord, Landlord's managing agent, lessors under superior leases and the holders of any mortgages affecting the Land and/or Building as additional insureds. Such insurance may be provided by Tenant through so-called "blanket" insurance, provided all the requirements of this Article 9 are satisfied. Tenant covenants to provide on or before the commencement of the term of this Lease:

LIABILITY INSURANCE

Tenant shall procure and at all times during the term of this Lease shall maintain policies of commercial general and umbrella liability insurance covering the demised premises on an occurrence basis and shall not contain any deductibles or self-insured retentions. The policy shall provide that general and specific aggregates are per location covered and shall further provide minimum limits, as follows:

COMMERCIAL GENERAL LIABILITY:

\$1,000,000 per occurrence; combined single limit bodily injury and property damage

\$5,000 medical payments coverage

\$50,000 fire legal liability coverage

\$2,000,000 general aggregate

\$1,000,000 per occurrence

\$2,000,000 annual aggregate; personal injury coverage

\$1,000,000 per occurrence

\$2,000,000 annual aggregate; products/completed operations coverage

UMBRELLA LIABILITY:

\$20,000,000 per occurrence

\$20,000,000 general and specific aggregates

Policy shall cover excess of general and automobile liability and shall include said policies as underlying and provisions of the umbrella shall apply in the same manner as the primary policies.

WORKERS' COMPENSATION

Tenant shall procure and at all times during the term of this Lease shall maintain a policy of statutory worker's compensation insurance covering Tenant's employees with unlimited employer's liability coverage.

UMBRELLA LIABILITY

Umbrella liability shall cover in the same manner as the primary commercial general liability policy above and shall contain no additional exclusions or limitations than those of the general liability policy.

PROPERTY INSURANCE

Tenant shall procure and at all times during the term of this Lease shall maintain a policy of all risk property insurance in an amount adequate to cover the cost of replacement of all Tenant's decorations, improvements, fixtures, furniture, stock and other contents; time element coverage including extra expense to cover Tenant's loss as a result of a loss sustained by a peril covered under the policy.

GENERAL

Commercial general liability and any umbrella policy will provide coverage for and on behalf of the Landlord and its designees pursuant to the provisions of this Lease as additional insured and will reflect that thirty (30) days prior written notice of cancellation, modification or non-renewal be provided to Landlord at the address so designated by Landlord.

Policy will provide that Tenant pays all premium under the policy. Landlord or its agents shall not be responsible for the payment of any premiums for such insurance.

Tenant will provide a binder of insurances to Landlord prior to occupancy of the demised premises followed by a copy of the policies and a minimum of twenty (20) days in advance for each renewal or replacement policy. If the policy contains more than one location, Tenant may

provide a certificate of insurance reflecting and confirming that the insurance is provided in accordance with the insurance provisions of this Lease and shall also include thereon a copy of all endorsements specifically applicable to Landlord and the demised premises.

The minimum limits of insurance coverage required by the insurance provisions of this Lease shall be subject to increase by Landlord from time to time (but not more frequently than once every four (4) years), after the Commencement Date if Landlord, in its reasonable judgment, shall deem the same necessary for adequate protection; provided such increases are comparable to increases for comparable buildings in Midtown Manhattan. Within thirty (30) days of demand for such increased coverage, Tenant shall deliver to Landlord evidence of such increased coverage in the form of an endorsement or replacement insurance policy or certificate and in keeping with all other insurance provisions contained herein. In the event of Tenant's failure to procure or maintain the coverages required hereunder in accordance with the insurance provisions contained herein, Landlord may, but is not obligated to, procure said insurance at the cost and expense of Tenant to be deemed additional rent hereunder, payable on demand. The minimum limits of insurance coverage required by the insurance provisions of this Lease shall in no way limit or diminish Tenant's liability.

Insurance companies must be satisfactory to Landlord as to an acceptable Standard & Poor's or A.M. Best Rating with a minimum A.M. Best Rating of A+VIII.

In the event of Tenant's failure to procure or maintain the coverages required hereunder in accordance with the insurance provisions contained herein, Landlord may, but is not obligated to, procure said insurance at the cost and expense of Tenant to be deemed additional rent hereunder, payable on demand.

Tenant will not do or permit anything to be done in or upon the demised premises or the Building or bring or keep anything therein which shall in any way increase the rates of all risk property or other insurance in respect of the Building or on the property kept therein.

Prior to the time such insurance is first required to be carried by Tenant and thereafter, at least fifteen (15) days prior to the effective date of any such policy, Tenant agrees to deliver to Landlord either a duplicate original of the aforesaid policy or a certificate evidencing such insurance. Said certificate shall contain an endorsement that such insurance may not be canceled except upon ten (10) days' notice to Landlord. Tenant's failure to provide and keep in force the aforementioned insurance shall be regarded as a material default hereunder entitling Landlord to exercise any or all of the remedies provided in this Lease in the event of Tenant's default.

ARTICLE 10

DAMAGE BY FIRE OR OTHER CAUSE

10.01 If the Building or the demised premises shall be partially or totally damaged or destroyed by fire or other cause, then whether or not the damage or destruction shall have resulted from the fault or neglect of Tenant, or its employees, agents or visitors (and if this Lease shall not have been terminated as in this Article 10 hereinafter provided), Landlord shall repair the damage and restore and rebuild the Building and/or the demised premises, at its expense (without limiting the rights of Landlord under any other provisions of this Lease), with

reasonable dispatch after notice to it of the damage or destruction; provided, however, that Landlord shall not be required to repair or replace any of Tenant's property.

10.02 If the Building or the demised premises shall be partially damaged or partially destroyed by fire or other cause, then unless such fire or damage shall have resulted from the gross negligence of Tenant, the rents payable hereunder shall be abated to the extent that the demised premises shall have been rendered untenantable for the period from the date of such damage or destruction to the date the damage shall be repaired or restored. If the demised premises or a major part thereof shall be totally (which shall be deemed to include substantially totally) damaged or destroyed or rendered completely (which shall be deemed to include substantially completely) untenantable on account of fire or other cause, the rents shall abate as of the date of the damage or destruction and until Landlord shall repair, restore and rebuild the Building and the demised premises, provided, however, that should Tenant reoccupy a portion of the demised premises during the period the restoration work is taking place and prior to the date that the same are made completely tenantable, rents allocable to such portion shall be payable by Tenant from the date of such occupancy.

10.03 If the Building or the demised premises shall be totally damaged or destroyed by fire or other cause, or if the Building shall be so damaged or destroyed by fire or other cause (whether or not the demised premises are damaged or destroyed) as to require a reasonably estimated expenditure of more than forty percent (40%) of the full insurable value of the Building immediately prior to the casualty, then in either such case Landlord may terminate this Lease by giving Tenant notice to such effect within ninety (90) days after the date of the casualty. In case of any damage or destruction mentioned in this Article 10, Tenant may terminate this Lease by notice to Landlord, if Landlord has not completed the making of the required repairs and restored and rebuilt the Building and the demised premises within twelve (12) months from the date of such damage or destruction, or within such period after such date (not exceeding four (4) months) as shall equal the aggregate period Landlord may have been delayed in doing so by adjustment of insurance, labor trouble, governmental controls, act of God, or any other cause beyond Landlord's reasonable control (other than Landlord's financial ability to repair and restore the Building and the demised premises).

10.04 No damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the demised premises or of the Building pursuant to this Article 10.

10.05 Notwithstanding any of the foregoing provisions of this Article 10, if Landlord or the lessor of any superior lease or the holder of any superior mortgage shall be unable to collect all of the insurance proceeds (including rent insurance proceeds) applicable to damage or destruction of the demised premises or the Building by fire or other cause, by reason of some wrongful action or inaction on the part of Tenant or any of its employees, agents or contractors, then, without prejudice to any other remedies which may be available against Tenant, there shall be no abatement of Tenant's rents, but the total amount of such rents not abated (which would otherwise have been abated) shall not exceed the amount of uncollected insurance proceeds.

10.06 Landlord will not carry separate insurance of any kind on Tenant's property, and, except as provided by law or by reason of its breach of any of its obligations hereunder, shall not be obligated to repair any damage thereto or replace the same. Tenant shall maintain insurance on Tenant's property, and Landlord shall not be obligated to repair any damage thereto or replace the same.

10.07 Landlord and Tenant shall each look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty.

10.08 The provisions of this Article 10 shall be considered an express agreement governing any cause of damage or destruction of the demised premises by fire or other casualty, and Section 227 of the Real Property Law of the State of New York, providing for such a contingency in the absence of an express agreement, and any other law of like import, now or hereafter in force, shall have no application in such case.

ARTICLE 11

ASSIGNMENT, MORTGAGING, SUBLETTING, ETC.

11.01 Tenant shall not (a) assign or otherwise transfer this Lease or the term and estate hereby granted, (b) sublet the demised premises or any part thereof or allow the same to be used or occupied by others or in violation of Article 5 hereof, (c) mortgage, pledge or encumber this Lease or the demised premises or any part thereof in any manner or permit any lien to be filed against the Lease, the demised premises or the Building by reason of any act or omission on the part of Tenant or enter into any agreement which would permit the filing of a lien by any broker, or (d) advertise, or authorize a broker to advertise, for a subtenant or an assignee, without, in each instance, obtaining the prior consent of Landlord, except as otherwise expressly provided in this Article 11. For purposes of this Article 11, (i) the transfer of a majority of the issued and outstanding capital stock of any corporate tenant, or of a corporate subtenant, or the transfer of a majority of the total interest in any partnership tenant or subtenant, however accomplished, whether in a single transaction or in a series of related or unrelated transactions, shall be deemed an assignment of this Lease, or of such sublease, as the case may be, except that the transfer of the outstanding capital stock of any corporate tenant, or subtenant, shall be deemed not to include the sale of such stock by persons or parties, through the "over-the-counter market" or through any recognized stock exchange, other than those deemed "insiders" within the meaning of the Securities Exchange Act of 1934 as amended, (ii) a takeover agreement shall be deemed a transfer of this Lease, (iii) any person or legal representative of Tenant, to whom Tenant's interest under this Lease passes by operation of law, or otherwise, shall be bound by the provisions of this Article 11, and (iv) a modification, amendment or extension of a sublease shall be deemed a sublease.

Notwithstanding anything to the contrary contained herein, the initial public offering of shares of Tenant's stock through the "over-the-counter market" or through any recognized stock exchange shall not be deemed to be an assignment for the purposes of this Article 11; provided Tenant gives Landlord prior written notice of such initial public offering.

11.02 The provisions of Section 11.01 hereof shall not apply to transactions with a corporation or other entity into or with which Tenant is merged or consolidated or with an entity to which substantially all of Tenant's assets or stock or other ownership interest are transferred (provided such merger or transfer of assets or stock or other ownership interest is for a good business purpose and not principally for the purpose of transferring the leasehold estate created hereby, and provided further, that the assignee has a net worth at least equal to or in excess of the net worth of Tenant immediately prior to such merger or transfer) or, if Tenant is a partnership, with a successor partnership.

11.03 Any assignment or transfer, whether made with Landlord's consent as required by Section 11.01 or without Landlord's consent pursuant to Section 11.02, shall be made only if, and shall not be effective until, the assignee shall execute, acknowledge and deliver to Landlord a recordable agreement, in form and substance reasonably satisfactory to Landlord, whereby the assignee shall assume the obligations and performance of this Lease and agree to be personally bound by and upon all of the covenants, agreements, terms, provisions and conditions hereof on the part of Tenant to be performed or observed and whereby the assignee shall agree that the provisions of Section 11.01 hereof shall, notwithstanding such an assignment or transfer, continue to be binding upon it in the future. Tenant covenants that, notwithstanding any assignment or transfer, whether or not in violation of the provisions of this Lease, and notwithstanding the acceptance of fixed annual rent by Landlord from an assignee or transferee or any other party, Tenant shall remain fully and primarily liable for the payment of the fixed annual rent and additional rent due and to become due under this Lease and for the performance of all of the covenants, agreements, terms, provisions and conditions of this Lease on the part of Tenant to be performed or observed.

11.04 The liability of Tenant, and the due performance by Tenant of the obligations on its part to be performed under this Lease, shall not be discharged, released or impaired in any respect by an agreement or stipulation made by Landlord or any grantee or assignee of Landlord, by way of mortgage, or otherwise, extending the time of, or modifying any of the obligations contained in this Lease, or by any waiver or failure of Landlord to enforce any of the obligations on Tenant's part to be performed under this Lease, and Tenant shall continue liable hereunder. If any such agreement or modification operates to increase the obligations of a tenant under this Lease, the liability under this Section 11.04 of the tenant named in the Lease or any of its successors in interest, (unless such party shall have expressly consented in writing to such agreement or modification) shall continue to be no greater than if such agreement or modification had not been made. To charge Tenant named in this Lease and its successors in interest, no demand or notice of any default shall be required. Tenant and each of its successors in interest hereby expressly waive any such demand or notice.

11.05 (a) Should Tenant agree subject to the provisions of this Lease to assign this Lease, other than by an assignment contemplated by Section 11.02, Tenant shall as soon as that agreement is consummated, but no less than thirty (30) days prior to the effective date of the contemplated assignment, deliver to Landlord a duplicate original of such agreement, and all ancillary agreements with the proposed assignee, and Landlord shall then have the right to elect, by notifying Tenant within thirty (30) days of such delivery, to (i) terminate this Lease, as of such effective date as if it were the Expiration Date set forth in this Lease or (ii) accept an assignment of this Lease from Tenant, and Tenant shall then promptly execute and deliver to

Landlord, or Landlord's designee if so elected by Landlord, in form reasonably satisfactory to Landlord's counsel, an assignment which shall be effective as of such effective date.

(b) In the event that this Lease shall be assigned to Landlord or Landlord's designee or if the demised premises shall be sublet to Landlord or Landlord's designee pursuant to this Section 11.05, the provisions of any such sublease or assignment and the obligations of Landlord and the rights of Tenant with respect thereto shall not be binding upon or otherwise affect the rights of any holder of a superior mortgage or of a lessor under a superior lease unless such holder or lessor shall elect by written notice to Tenant to succeed to the position of Landlord or its designee, as the case may be, thereunder.

(c) Should Tenant agree subject to the provisions of this Lease to sublet the demised premises or any portion thereof, other than by a sublease contemplated by Section 11.02, Tenant shall, as soon as that agreement is consummated, but no less than thirty (30) days prior to the effective date of the contemplated sublease, deliver to Landlord, a duplicate original of the proposed sublease and all ancillary agreements with the proposed sublessee, and Landlord shall then have the right to elect, by notifying Tenant within thirty (30) days of such delivery, to (i) terminate this Lease as to the portion of the demised premises affected by such subletting or as to the entire demised premises in the case of a subletting thereof, as of such effective date, (ii) in the case of a proposed subletting of the entire demised premises accept an assignment of this Lease to Landlord from Tenant, and Tenant shall then promptly execute and deliver to Landlord, or Landlord's designee if so elected by Landlord, in form reasonably satisfactory to Landlord's counsel, an assignment which shall be effective as of such effective date, or (iii) accept a sublease from Tenant of the portion of the demised premises affected by such proposed subletting or the entire demised premises in the case of a proposed subletting thereof, and Tenant shall then promptly execute and deliver a sublease to Landlord, or Landlord's designee if so elected by Landlord, for the remainder of the demised term, commencing with such effective date, at (x) the rental terms reflected in the proposed sublease or (y) the rental terms contained in this Lease on a per rentable square foot basis, as elected by Landlord in such notice.

(d) If Landlord should elect to have Tenant execute and deliver a sublease to Landlord or its designee pursuant to any of the provisions of this Section 11.05, said sublease shall be in a form reasonably satisfactory to Landlord's counsel and on all the terms contained in this Lease, except that:

(i) The rental terms, if elected by Landlord, may be either as provided in item (x) or item (y) of subsection 11.05(c) hereof,

(ii) The sublease shall not provide for any work to be done for the subtenant or for any initial rent concessions or contain provisions inapplicable to a sublease, except that in the case of a subletting of a portion of the demised premises Tenant shall reimburse subtenant for the cost of erecting such demising walls as are necessary to separate the subleased premises from the remainder of the demised premises and to provide access thereto,

(iii) The subtenant thereunder shall have the right to underlet the subleased premises, in whole or in part, without Tenant's consent,

(iv) The subtenant thereunder shall have the right to make, or cause to be made, any changes, alterations, decorations, additions and improvements that such subtenant may desire or authorize; provided that Tenant shall not be required to remove such changes, alterations, decorations, additions and improvements,

(v) Such sublease shall expressly negate any intention that any estate created by or under such sublease be merged with any other estate held by either of the parties thereto,

(vi) Any consent required of Tenant, as lessor under that sublease, shall be deemed granted if consent with respect thereto is granted by Landlord,

(vii) There shall be no limitation as to the use of the sublet premises by the subtenant thereunder; provided the use is in compliance with the certificate of occupancy for the Building,

(viii) Any failure of the subtenant thereunder to comply with the provisions of said sublease, other than with respect to the payment of rent to Tenant, shall not constitute a default hereunder, and

(ix) Tenant's obligations under this Lease with respect to vacating the demised premises and removing any changes, alterations, decorations, additions or improvements made in the subleased premises shall be limited to those which accrued and related to such as were made prior to the effective date of the sublease.

(e) If pursuant to the exercise of any of Landlord's options pursuant to Section 11.05 hereof this Lease is terminated as to only a portion of the demised premises, then the fixed annual rent payable hereunder and the additional rent payable pursuant to Article 3 hereof shall be adjusted in proportion to the portion of the demised premises affected by such termination.

11.06 In the event that Landlord does not exercise any of the options available to it pursuant to Section 11.05 hereof, Landlord shall not unreasonably withhold or delay its consent to an assignment of this Lease or a subletting of the whole or any part of the demised premises for substantially the remainder of the term of this Lease, provided:

(a) Tenant shall furnish Landlord with the name and business address of the proposed subtenant or assignee, information with respect to the nature and character of the proposed subtenant's or assignee's business, or activities, such references and current financial information with respect to net worth, credit and financial responsibility as are reasonably satisfactory to Landlord, and an executed counterpart of the sublease or assignment agreement;

(b) The proposed subtenant or assignee is a reputable party whose financial net worth, credit and financial responsibility is, considering the responsibilities involved, reasonably satisfactory to Landlord;

(c) The nature and character of the proposed subtenant or assignee, its business or activities and intended use of the demised premises is, in Landlord's reasonable judgment, in keeping with the standards of the Building and the floor or floors on which the demised premises are located;

(d) The proposed subtenant or assignee is not then an occupant of any part of the Building or a party who dealt with Landlord or Landlord's agent (directly or through a broker) with respect to space in the Building during the twelve (12) months immediately preceding Tenant's request for Landlord's consent;

(e) All reasonable costs incurred with respect to providing reasonably appropriate means of ingress and egress from the sublet space or to separate the sublet space from the remainder of the demised premises shall, subject to the provisions of Article 6 with respect to alterations, installations, additions or improvements be borne by Tenant;

(f) Each sublease shall specifically state that (i) it is subject to all of the terms, covenants, agreements, provisions, and conditions of this Lease, (ii) the subtenant or assignee, as the case may be, will not have the right to a further assignment thereof or sublease or assignment thereunder, or to allow the demised premises to be used by others, without the consent of Landlord in each instance as provided for herein, (iii) a consent by Landlord thereto shall not be deemed or construed to modify, amend or affect the terms and provisions of this Lease, or Tenant's obligations hereunder, which shall continue to apply to the premises involved, and the occupants thereof, as if the sublease or assignment had not been made;

(g) Tenant shall together with requesting Landlord's consent hereunder, have paid Landlord any reasonable out-of-pocket costs incurred by Landlord to review the requested consent, including, without limitation, any reasonable attorneys' fees incurred by Landlord;

(h) The proposed subtenant or assignee is not (i) a bank trust company, safe deposit business, savings and loan association or loan company; (ii) employment or recruitment agency; (iii) school, college, university or educational institution whether or not for profit; (iv) a government or any subdivision or agency thereof;

(i) In the case of a subletting of a portion of the demised premises, the portion so sublet shall be regular in shape and suitable for normal renting purposes and such subletting will not result in more than three (3) occupants per floor (but in no event shall there be more than four (4) occupants on two (2) floors, if applicable), including Tenant, occupying the demised premises;

(j) Tenant shall not advertise or list with brokers any subletting or assignment at any specified rental rate or any range of the rental rate.

11.07 If Tenant shall assign this Lease or sublease all or any part of the demised premises, Tenant shall pay to Landlord, as additional rent:

(i) in the case of an assignment, an amount equal to all sums and other considerations paid to Tenant by the assignee for or by reason of such assignment or otherwise (including, but not limited to, sums paid for the sale of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings or other personal property, less, in the case of a sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns), and less reasonable attorneys' fees, the costs to prepare the assigned space up to a quality consistent with Building Standard for the initial occupancy of the assignee or a reasonable work allowance or a reasonable free rent period in lieu of such work by Tenant for the benefit of the assignee, and brokerage commission; and

(ii) in the case of a sublease, fifty (50%) percent of any rents, additional charge or other consideration payable under the sublease or otherwise to Tenant by the subtenant which is in excess of the fixed annual rent and additional rent accruing during the term of the sublease in respect of the subleased space (at the rate per square foot payable by Tenant hereunder) pursuant to the terms hereof (including, but not limited to, sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture or other personal property, less, in the case of the sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns), and less reasonable attorneys' fees, the costs to prepare the sublet space up to a quality consistent with Building Standard for the initial occupancy of the subtenant or a reasonable work allowance or a reasonable free rent period in lieu of such work by Tenant for the benefit of the subtenant, and brokerage commission.

The sums payable under this Section 11.07 shall be paid to Landlord as and when paid by the subtenant or assignee, as the case may be, to Tenant.

11.08 If Tenant defaults in the payment of any rent, Landlord is authorized to collect any rents due or accruing from any assignee, subtenant or other occupant of the demised premises and to apply the net amounts collected to the fixed annual rent and additional rent reserved herein. The receipt by Landlord of any amounts from an assignee or subtenant, or other occupant of any part of the demised premises shall not be deemed or construed as releasing Tenant from Tenant's obligations hereunder or the acceptance of that party as a direct tenant.

ARTICLE 12

CERTIFICATE OF OCCUPANCY

12.01 Tenant will not at any time use or occupy the demised premises in violation of the Certificate of Occupancy issued for the Building. A copy of the existing certificate of occupancy has been furnished to Tenant.

ARTICLE 13

ADJACENT EXCAVATION -- SHORING

13.01 If an excavation or other substructure work shall be made upon land adjacent to the demised premises, or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation, license to enter upon the demised premises for the purpose of doing such work as shall be necessary to preserve the wall of or the Building of which the demised premises form a part from injury or damage and to support the same by proper foundations without any claim for damages or indemnity against Landlord, or diminution or abatement of rent.

ARTICLE 14

CONDEMNATION

14.01 In the event that the whole of the demised premises shall be lawfully condemned or taken in any manner for any public or quasi-public use, this Lease and the term and estate hereby granted shall forthwith cease and terminate as of the date of vesting of title. In the event that only a part of the demised premises shall be so condemned or taken, then, effective as of the date of vesting of title, the fixed annual rent under Article 1 hereunder and additional rents under Article 3 hereunder shall be abated in an amount thereof apportioned according to the area of the demised premises so condemned or taken. In the event that only a part of the Building shall be so condemned or taken, then (a) Landlord (whether or not the demised premises be affected) may, at Landlord's option, terminate this Lease and the term and estate hereby granted as of the date of such vesting of title by notifying Tenant in writing of such termination within sixty (60) days following the date on which Landlord shall have received notice of vesting of title, or (b) if such condemnation or taking shall be of a substantial part of the demised premises or of a substantial part of the means of access thereto, Tenant may, at Tenant's option, by delivery of notice in writing to Landlord within thirty (30) days following the date on which Tenant shall have received notice of vesting of title, terminate this Lease and the term and estate hereby granted as of the date of vesting of title, or (c) if neither Landlord nor Tenant elects to terminate this Lease, as aforesaid, this Lease shall be and remain unaffected by such condemnation or taking, except that the fixed annual rent payable under Article 1 and additional rents payable under Article 3 shall be abated to the extent hereinbefore provided in this Article 14. In the event that only a part of the demised premises shall be so condemned or taken and this Lease and the term and estate hereby granted with respect to the remaining portion of the demised premises are not terminated as hereinbefore provided, Landlord will, with reasonable diligence and at its expense, restore the remaining portion of the demised premises as nearly as practicable to the same condition as it was in prior to such condemnation or taking.

14.02 In the event of its termination in any of the cases hereinbefore provided, this Lease and the term and estate hereby granted shall expire as of the date of such termination with the same effect as if that were the Expiration Date, and the fixed annual rent and additional rents payable hereunder shall be apportioned as of such date.

14.03 In the event of any condemnation or taking hereinbefore mentioned of all or a part of the Building, Landlord shall be entitled to receive the entire award in the condemnation proceeding, including any award made for the value of the estate vested by this Lease in Tenant, and Tenant hereby expressly assigns to Landlord any and all right, title and interest of Tenant now or hereafter arising in or to any such award or any part thereof, and Tenant shall be entitled to receive no part of such award; provided Tenant may receive any separate award it is allowed to pursue with the condemning authority under applicable law in regards to (i) Tenant's leasehold improvements and fixtures in the demised premises and (ii) Tenant's moving and relocation expenses, provided that such claim shall not have an adverse affect upon the award Landlord is entitled to receive, as herein provided.

14.04 It is expressly understood and agreed that the provisions of this Article 14 shall not be applicable to any condemnation or taking for governmental occupancy for a limited period.

14.05 In the event of any taking of less than the whole of the Building which does not result in a termination of this Lease, or in the event of a taking for a temporary use or occupancy of all or any part of the demised premises which does not result in a termination of this Lease, Landlord, at its expense, and whether or not any award or awards shall be sufficient for the purpose, shall proceed with reasonable diligence to repair, alter and restore the remaining parts of the Building and the demised premises to substantially their former condition to the extent that the same may be feasible and so as to constitute a complete and tenantable Building and demised premises.

14.06 In the event any part of the demised premises be taken to effect compliance with any law or requirement of public authority other than in the manner hereinabove provided in this Article 14, then, (i) if such compliance is the obligation of Tenant under this Lease, Tenant shall not be entitled to any diminution or abatement of rent or other compensation from Landlord therefor, but (ii) if such compliance is the obligation of Landlord under this Lease, the fixed annual rent hereunder shall be reduced and additional rents under Article 3 shall be adjusted in the same manner as is provided in Section 14.01 according to the reduction in rentable area of the demised premises resulting from such taking.

ARTICLE 15

ACCESS TO DEMISED PREMISES; CHANGES

15.01 If Tenant shall permit Landlord to erect, use and maintain pipes, ducts and conduits in and through the demised premises, provided the same are installed adjacent to or concealed behind walls and ceilings of the demised premises. Landlord shall to the extent practicable install such pipes, ducts and conduits by such methods and at such locations as will not materially interfere with or impair Tenant's layout or use of the demised premises. Landlord or its agents or designees shall have the right to enter the demised premises, at reasonable times during business hours, upon not less than twenty-four (24) hours' prior notice (which may be oral), except in the case of an emergency, for the making of such repairs or alterations as Landlord may deem necessary for the Building or which Landlord shall be required to or shall have the right to make by the provisions of this Lease or any other lease in the Building and,

subject to the foregoing, shall also have the right to enter the demised premises for the purpose of inspecting them or exhibiting them to prospective purchasers or lessees of the entire Building or to prospective mortgagees of the fee or of Landlord's interest in the property of which the demised premises are a part or to prospective assignees of any such mortgages or to the holder of any mortgage on the Landlord's interest in the property, its agents or designees. Landlord shall be allowed to take all material into and upon the demised premises that may be required for the repairs or alterations above mentioned as the same is required for such purpose, without the same constituting an eviction of Tenant in whole or in part, and the rent reserved shall in no wise abate while said repairs or alterations are being made by reason of loss or interruption of the business of Tenant because of the prosecution of any such work. Landlord shall exercise reasonable diligence so as to minimize the disturbance but nothing contained herein shall be deemed to require Landlord to perform the same on an overtime or premium pay basis at Tenant's sole cost and expense; unless (i) Tenant agrees to pay for such overtime, and (ii) Landlord agrees to perform such work on an overtime or premium pay basis at Tenant's cost and expense, in which event, (x) the work shall be performed outside of Tenant's normal Business Hours and (y) Tenant shall pay to Landlord the cost of such overtime work within five (5) Business Days of Tenant's receipt of Landlord's bill therefor.

15.02 Landlord reserves the right, without the same constituting an eviction and without incurring liability to Tenant therefor, to renovate and/or change the arrangement and/or location of public entrances, lobbies passageways, doors, doorways, corridors, elevators, stairways, toilets and other public parts of the Building; provided, however, that access to the Building shall not be cut off and that there shall be no unreasonable obstruction of access to the demised premises or unreasonable interference with the use or enjoyment thereof.

15.03 Landlord reserves the right to light from time to time all or any portion of the demised premises at night for display purposes without paying Tenant therefor.

15.04 Landlord may, during the six (6) months prior to expiration of the term of this Lease, exhibit the demised premises to prospective tenants.

15.05 If Tenant shall not be personally present to open and permit an entry into the demised premises at any time when for any reason an entry therein shall be urgently necessary by reason of fire or other emergency, Landlord or Landlord's agents may forcibly enter the same without rendering Landlord or such agents liable therefor (if during such entry Landlord or Landlord's agents shall accord reasonable care to Tenant's property) and without in any manner affecting the obligations and covenants of this Lease.

ARTICLE 16

CONDITIONS OF LIMITATION

16.01 This Lease and the term and estate hereby granted are subject to the limitation that whenever Tenant shall make an assignment of the property of Tenant for the benefit of creditors, or shall file a voluntary petition under any bankruptcy or insolvency law or any involuntary petition alleging an act of bankruptcy or insolvency shall be filed against Tenant under any bankruptcy or insolvency law, or whenever a petition shall be filed by or against

Tenant under the reorganization provisions of the United States Bankruptcy Act or under the provisions of any law of like import, or whenever a petition shall be filed by Tenant under the arrangement provisions of the United States Bankruptcy Act or under the provisions of any law of like import, or whenever a permanent receiver of Tenant or of or for the property of Tenant shall be appointed, then, Landlord may, (a) at any time after receipt of notice of the occurrence of any such event, or (b) if such event occurs without the acquiescence of Tenant, at any time after the event continues for thirty (30) days, give Tenant a notice of intention to end the term of this Lease at the expiration of five (5) days from the date of service of such notice of intention, and upon the expiration of said five (5) day period, this Lease and the term and estate hereby granted, whether or not the term shall theretofore have commenced, shall terminate with the same effect as if that day were the Expiration Date, but Tenant shall remain liable for damages as provided in Article 18.

16.02 This Lease and the term and estate hereby granted are subject to further limitation as follows:

(a) whenever Tenant shall default in the payment of any installment of fixed annual rent, or in the payment of any additional rent or any other charge payable by Tenant to Landlord, on any day upon which the same ought to be paid, and such default shall continue for five (5) Business Days after Landlord shall have given Tenant a notice specifying such default, or

(b) whenever Tenant shall do or permit anything to be done, whether by action or inaction, contrary to any of Tenant's obligations hereunder, and if such situation shall continue and shall not be remedied by Tenant within fifteen (15) days after Landlord shall have given to Tenant a notice specifying the same, or, in the case of a happening or default which cannot with due diligence be cured within a period of fifteen (15) days and the continuation of which for the period required for cure will not subject Landlord to the risk of criminal liability (as more particularly described in Article 8 hereof) or termination of any superior lease or foreclosure of any superior mortgage, if Tenant shall not, (i) within said fifteen (15) day period advise Landlord of Tenant's intention to duly institute all steps necessary to remedy such situation, (ii) duly institute within said fifteen (15) day period, and thereafter diligently and continuously prosecute to completion all steps necessary to remedy the same and (iii) complete such remedy within such time after the date of the giving of said notice to Landlord as shall reasonably be necessary, or

(c) whenever any event shall occur or any contingency shall arise whereby this Lease or the estate hereby granted or the unexpired balance of the term hereof would, by operation of law or otherwise, devolve upon or pass to any person, firm or corporation other than Tenant, except as expressly permitted by Article 11, or

(d) whenever Tenant shall abandon the demised premises (unless as a result of a casualty) without providing for adequate security, extermination and other services required to prevent the condition of the demised premises from deteriorating, or

(e) whenever in case any other lease held by Tenant from Landlord shall expire and terminate (whether or not the term thereof shall then have commenced) as a

result of the default of Tenant thereunder or of the occurrence of an event as therein provided (other than by expiration of the fixed term thereof or pursuant to a cancellation or termination option therein contained), or

(f) whenever Tenant shall default in the due keeping, observing or performance of any covenant, agreement, provision or condition of Article 5 hereof on the part of Tenant to be kept, observed or performed and if such default shall continue and shall not be remedied by Tenant within twenty-four (24) hours after Landlord shall have given to Tenant a notice specifying the same,

(g) if during any consecutive eighteen (18) month period during the term of this Lease (i) Tenant shall have on three (3) or more occasions paid any installment of fixed annual rent or any additional rent more than ten (10) days after the same was due hereunder and (ii) Landlord shall have given Tenant notice of such default pursuant to subsection (a) hereof before such default was cured,

then in any of said cases set forth in the foregoing subsections (a), (b), (c), (d), (e), (f) and (g) Landlord may give to Tenant a notice of intention to end the term of this Lease at the expiration of five (5) Business Days from the date of the service of such notice of intention, and upon the expiration of said five (5) Business Days this Lease and the term and estate hereby granted, whether or not the term shall theretofore have commenced, shall terminate with the same effect as if that day were the Expiration Date, but Tenant shall remain liable for damages as provided in Article 18.

ARTICLE 17

RE-ENTRY BY LANDLORD, INJUNCTION

17.01 If Tenant shall default in the payment of any installment of fixed annual rent, or of any additional rent, on any date upon which the same ought to be paid, and if such default shall continue for five (5) Business Days after Landlord shall have given to Tenant a notice specifying such default, or if this Lease shall expire as in Article 16 provided, Landlord or Landlord's agents and employees may immediately or at any time thereafter re-enter the demised premises, or any part thereof, either by summary dispossession proceedings or by any suitable action or proceeding at law, or by force or otherwise, without being liable to indictment, prosecution or damages therefrom, to the end that Landlord may have, hold and enjoy the demised premises again as and of its first estate and interest therein. The word re-enter, as herein used, is not restricted to its technical legal meaning. In the event of any termination of this Lease under the provisions of Article 16 or if Landlord shall re-enter the demised premises under the provisions of this Article 17 or in the event of the termination of this Lease, or of re-entry, by or under any summary dispossession or other proceedings or action or any provision of law by reason of default hereunder on the part of Tenant, Tenant shall thereupon pay to Landlord the fixed annual rent and additional rent payable by Tenant to Landlord up to the time of such termination of this Lease, or of such recovery of possession of the demised premises by Landlord, as the case may be, and shall also pay to Landlord damages as provided in Article 18.

17.02 In the event of a breach or threatened breach by Tenant of any of its obligations under this Lease, Landlord shall also have the right of injunction. The special remedies to which Landlord may resort hereunder are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Landlord may lawfully be entitled at any time and Landlord may invoke any remedy allowed at law or in equity as if specific remedies were not provided for herein.

17.03 If this Lease shall terminate under the provisions of Article 16, or if Landlord shall re-enter the demised premises under the provisions of this Article 17, or in the event of the termination of this Lease, or of re-entry, by or under any summary dispossession or other proceeding or action or any provision of law by reason of default hereunder on the part of Tenant, Landlord shall be entitled to retain all moneys, if any, paid by Tenant to Landlord, whether as advance rent, security or otherwise, but such moneys shall be credited by Landlord against any fixed annual rent or additional rent due from Tenant at the time of such termination or re-entry or, at Landlord's option against any damages payable by Tenant under Articles 16 and 18 or pursuant to law.

17.04 Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the demised premises, by reason of the violation by Tenant of any of the covenants and conditions of this Lease or otherwise.

ARTICLE 18

DAMAGES

18.01 If this Lease is terminated under the provisions of Article 16, or if Landlord shall re-enter the demised premises under the provisions of Article 17, or in the event of the termination of this Lease, or of re-entry, by or under any summary dispossession or other proceeding or action or any provision of law by reason of default hereunder on the part of Tenant, Tenant shall pay to Landlord as damages, at the election of Landlord, either

(a) a sum which at the time of such termination of this Lease or at the time of any such re-entry by Landlord, as the case may be, represents the then value of the excess, if any, of

(1) the aggregate of the fixed annual rent and the additional rent payable hereunder which would have been payable by Tenant (conclusively presuming the additional rent to be the same as was payable for the year immediately preceding such termination except that additional rent on account of increases in Taxes and the Wage Rate shall be presumed to increase at the average of the rates of increase thereof previously experienced by Landlord during the period (not to exceed 3 years) prior to such termination) for the period commencing with such earlier termination of this Lease or the date of any such re-entry, as the case may be, and ending with the Expiration Date, had this Lease not so terminated or had Landlord not so re-entered the demised premises, over

(2) the aggregate rental value of the demised premises for the same period, or

(b) sums equal to the fixed annual rent and the additional rent (as above presumed) payable hereunder which would have been payable by Tenant had this Lease not so terminated, or had Landlord not so re-entered the demised premises, payable upon the due dates therefor specified herein following such termination or such re-entry and until the Expiration Date, provided, however, that if Landlord shall re-let the demised premises during said period, Landlord shall credit Tenant with the net rents received by Landlord from such re-letting, such net rents to be determined by first deducting from the gross rents as and when received by Landlord from such re-letting, the expenses incurred or paid by Landlord in terminating this Lease or in re-entering the demised premises and in securing possession thereof, as well as the expenses of re-letting, including altering and preparing the demised premises for new tenants, brokers' commissions, and all other expenses properly chargeable against the demised premises and the rental thereof; it being understood that any such re-letting may be for a period shorter or longer than the remaining term of this Lease; but in no event shall Tenant be entitled to receive any excess of such net rents over the sums payable by Tenant to Landlord hereunder, or shall Tenant be entitled in any suit for the collection of damages pursuant to this subsection to a credit in respect of any net rents from a re-letting, except to the extent that such net rents are actually received by Landlord. If the demised premises or any part thereof should be re-let in combination with other space, then proper apportionment on a square foot basis shall be made of the rent received from such re-letting and of the expenses of re-letting.

If the demised premises or any part thereof be re-let by Landlord for the unexpired portion of the term of this Lease, or any part thereof, before presentation of proof of such damages to any court, commission or tribunal, the amount of rent reserved upon such re-letting shall, prima facie, be the fair and reasonable rental value for the demised premises, or part thereof, so re-let during the term of the re-letting.

18.02 Suit or suits for the recovery of such damages, or any installments thereof, may be brought by Landlord from time to time at its election, and nothing contained herein shall be deemed to require Landlord to postpone suit until the date when the term of this Lease would have expired if it had not been so terminated under the provisions of Article 16, or under any provision of law, or had Landlord not re-entered the demised premises. Nothing herein contained shall be construed to limit or preclude recovery by Landlord against Tenant of any sums or damages to which, in addition to the damages particularly provided above, Landlord may lawfully be entitled by reason of any default hereunder on the part of Tenant. Nothing herein contained shall be construed to limit or prejudice the right of Landlord to prove for and obtain as liquidated damages by reason of the termination of this Lease or re-entry of the demised premises for the default of Tenant under this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved whether or not such amount be greater, equal to, or less than any of the sums referred to in Section 18.01.

ARTICLE 19

LANDLORD'S RIGHT TO PERFORM TENANT'S OBLIGATIONS

19.01 If Tenant shall default, beyond any applicable notice and cure periods, in the observance or performance of any term or covenant on Tenant's part to be observed or performed under or by virtue of any of the terms or provisions in any Article of this Lease, (a) Landlord may remedy such default for the account of Tenant, immediately and without notice in case of emergency, or in any other case only provided that Tenant shall fail to remedy such default with all reasonable dispatch after Landlord shall have notified Tenant in writing of such default and the applicable grace period for curing such default shall have expired; and (b) if Landlord makes any expenditures or incurs any obligations for the payment of money in connection with such default including, but not limited to, reasonable attorneys' fees in instituting, prosecuting or defending any action or proceeding, such sums paid or obligations incurred, with interest at the Interest Rate, shall be deemed to be additional rent hereunder and shall be paid by Tenant to Landlord upon rendition of a bill to Tenant therefor.

ARTICLE 20

QUIET ENJOYMENT

20.01 Landlord covenants and agrees that subject to the terms and provisions of this Lease, if, and so long as, Tenant keeps and performs each and every covenant, agreement, term, provision and condition herein contained on the part or on behalf of Tenant to be kept or performed, then Tenant's rights under this Lease shall not be cut off or ended before the expiration of the term of this Lease, subject however, to the obligations of this Lease.

ARTICLE 21

SERVICES AND EQUIPMENT

21.01 Landlord shall, at its cost and expense:

(a) Provide necessary elevator facilities during Business Hours of Business Days and shall have at least one elevator subject to call at all other times. At Landlord's option, the elevators shall be operated by automatic control or by manual control, or by a combination of both of such methods.

(b) Furnish heat to the demised premises during Business Hours of Business Days. Landlord shall have no responsibility or liability for the ventilating conditions and/or temperature of the demised premises during the hours or days Landlord is not required to furnish heat pursuant to this paragraph.

(c) Furnish cold water for lavatory and drinking and office cleaning purposes. Tenant, at Tenant's sole cost and expense, shall have the right to install a hot water heater to provide hot water to the demised premises. If Tenant requires, uses or consumes water for any other purposes, Tenant agrees to Landlord installing a meter or meters or other means to measure Tenant's water consumption, and Tenant further agrees to reimburse Landlord for the

cost of the meter or meters and the installation thereof, and to pay for the maintenance of said meter equipment and/or to pay Landlord's cost of other means of measuring such water consumption by Tenant. Tenant shall reimburse Landlord on demand for the cost of all water consumed, as measured by said meter or meters or as otherwise measured, including sewer rents.

21.02 Landlord reserves the right without any liability whatsoever, or abatement of fixed annual rent, or additional rent, to stop the heating, air-conditioning, elevator, plumbing, electric and other systems when necessary by reason of accident or emergency or for repairs, alterations, replacements or improvements, provided that except in case of emergency, Landlord will notify Tenant in advance, if possible, of any such stoppage and, if ascertainable, its estimated duration, and will proceed diligently with the work necessary to resume such service as promptly as possible and in a manner so as to minimize interference with Tenant's use and enjoyment of the demised premises.

21.03 Tenant shall clean and maintain the demised premises and shall contract directly with the cleaner and a carting company for rubbish removal designated by Landlord from time to time to render such services to tenants of the Building.

21.04 It is expressly agreed that only Landlord or any one or more persons, firms or corporations authorized in writing by Landlord will be permitted to furnish laundry, linen, towels, drinking water, ice, and other similar supplies and services to tenants and licensees in the Building. Landlord may fix, in its own absolute discretion, at any time and from time to time, the hours during which and the regulations under which such supplies and services are to be furnished and under which, foods and beverages may be brought into Building by persons other than regular employees of Tenant.

21.05 As part of Tenant's Work, Tenant shall install an air cooled packaged air conditioning unit (hereinafter called the "Unit"), as approved by Landlord, to provide air conditioning to the demised premises. Tenant shall, at its sole cost and expense, operate and maintain the Unit. Such maintenance obligations shall be performed throughout the term of this Lease, on Tenant's behalf and at Tenant's expense, by a reputable air conditioning maintenance company, first approved by Landlord. Tenant's obligation to maintain the Unit shall include, but not be limited to, the periodic cleaning and/or replacement of filters, replacements of fuses and belts, the calibration of thermostats and all startup and shut down of the Unit. Tenant shall, at its sole cost and expense, perform any and all necessary repairs, and cause any and all replacements of, the Unit. The Unit and any replacements thereof shall be and remain at all times the property of Landlord, and Tenant shall surrender the Unit and all such replacements to Landlord on the Expiration Date.

21.06 Landlord will not be required to furnish any other services, except as otherwise provided in this Lease.

ARTICLE 22

DEFINITIONS

22.01 The term "Landlord" as used in this Lease means only the owner, or the mortgagee in possession, for the time being of the Land and Building (or the owner of a lease of

the Building or of the Land and Building), so that in the event of any transfer of title to said Land and Building or said lease, or in the event of a lease of the Building, or of the Land and Building, upon notification to Tenant of such transfer or lease the said transferor Landlord shall be and hereby is entirely freed and relieved of any and all covenants, obligations and liabilities of Landlord hereunder accruing after the date of such transfer, and it shall be deemed and construed as a covenant running with the land without further agreement between the parties or their successors in interest, or between the parties and the transferee of title to said Land and Building or said lease, or the said lessee of the Building, or of the Land and Building, that the transferee or the lessee has assumed and agreed to carry out any and all such covenants, obligations and liabilities of Landlord hereunder.

22.02 The term "Business Days" as used in this Lease shall exclude Saturdays, Sundays and all days observed by the Federal, State or local government as legal holidays, as well as all other days recognized as holidays under applicable union contracts. The term "Business Hours" as used in this Lease shall mean the hours between 8:00 a.m. and 6:00 p.m.

22.03 "Interest Rate" shall mean a rate per annum equal to the lesser of (a) three percent (3%) above the commercial lending rate announced from time to time by Citibank, N.A., as its prime rate for 90-day unsecured loans, or (b) the maximum applicable legal rate, if any.

22.04 "Legal Requirements" shall mean laws, statutes and ordinances (including building codes and zoning regulations and ordinances) and the orders, rules, regulations, directives and requirements of all federal, state, county, city and borough departments, bureaus, boards, agencies, offices, commissions and other subdivisions thereof, or of any official thereof, or of any other governmental public or quasi-public authority, whether now or hereafter in force, which may be applicable to the Land or Building or the demised premises or any part thereof, or the sidewalks, curbs or areas adjacent thereto and all requirements, obligations and conditions of all instruments of record on the date of this Lease.

ARTICLE 23

INVALIDITY OF ANY PROVISION

23.01 If any term, covenant, condition or provision of this Lease or the application thereof to any circumstance or to any person, firm or corporation shall be invalid or unenforceable to any extent, the remaining terms, covenants, conditions and provisions of this Lease or the application thereof to any circumstances or to any person, firm or corporation other than those as to which any term, covenant, condition or provision is held invalid or unenforceable, shall not be affected thereby and each remaining term, covenant, condition and provision of this Lease shall be valid and shall be enforceable to the fullest extent permitted by law.

ARTICLE 24

BROKERAGE

24.01 Tenant covenants, represents and warrants that Tenant has had no dealings or communications with any broker, or agent other than Newmark & Company Real Estate, Inc.

(the "Broker") in connection with the consummation of this Lease, and Tenant covenants and agrees to pay, hold harmless and indemnify Landlord from and against any and all cost, expense (including reasonable attorneys' fees) or liability for any compensation, commissions or charges claimed by any broker or agent, other than the Broker set forth in this Section 24.01, with respect to this Lease or the negotiation thereof.

ARTICLE 25

SUBORDINATION

25.01 This Lease is and shall be subject and subordinate to all ground or underlying leases which may now or hereafter affect the real property of which the demised premises form a part and to all mortgages which may now or hereafter affect such leases or such real property, and to all renewals, modifications, replacements and extensions thereof. The provisions of this Section 25.01 shall be self-operative and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant shall promptly execute and deliver at its own cost and expense any instrument, in recordable form if required, that Landlord, the lessor of the ground or underlying lease or the holder of any such mortgage or any of their respective successors in interest may request to evidence such subordination.

25.02 In the event of a termination of any ground or underlying lease, or if the interests of Landlord under this Lease are transferred by reason of, or assigned in lieu of, foreclosure or other proceedings for enforcement of any mortgage, or if the holder of any mortgage acquires a lease in substitution therefor, then Tenant under this Lease will, at the option to be exercised in writing by the lessor under such ground or underlying lease or such mortgagee or purchaser, assignee or lessee, as the case may be, either (i) attorn to it and will perform for its benefit all the terms, covenants and conditions of this Lease on Tenant's part to be performed with the same force and effect as if said lessor, such mortgagee or purchaser, assignee or lessee, were the landlord originally named in this Lease, or (ii) enter into a new lease with said lessor or such mortgagee or purchaser, assignee or lessee, as landlord, for the remaining term of this Lease and otherwise on the same terms and conditions and with the same options, if any, then remaining. The foregoing provisions of clause (i) of this Section 25.02 shall enure to the benefit of such lessor, mortgagee, purchaser, assignee or lessee, shall be self-operative upon the exercise of such option, and no further instrument shall be required to give effect to said provisions. Tenant, however, upon demand of any such lessor, mortgagee, purchaser, assignee or lessee agrees to execute, from time to time, instruments in confirmation of the foregoing provisions of this Section 25.02, satisfactory to any such lessor, mortgagee, purchaser, assignee or lessee, acknowledging such attornment and setting forth the terms and conditions of its tenancy.

25.03 Anything herein contained to the contrary notwithstanding, under no circumstances shall the aforescribed lessor under the ground lease or mortgagee or purchaser, assignee or lessee, as the case may be, whether or not it shall have succeeded to the interests of the landlord under this Lease, be

(a) liable for any act, omission or default of any prior landlord; or

(b) subject to any offsets, claims or defenses which the Tenant might have against any prior landlord; or

(c) bound by any fixed annual rent or additional rent which Tenant might have paid to any prior landlord for more than one month in advance or for more than three months in advance where such rent payments are payable at intervals of more than one month; or

(d) bound by any modification, amendment or abridgment of the Lease, or any cancellation or surrender of the same, made without its prior written approval.

25.04 If, in connection with the financing of the Building, the holder of any mortgage shall request reasonable modifications in this Lease as a condition of approval thereof, Tenant will not unreasonably withhold, delay or defer making such modifications, provided the same do not increase Tenant's obligations or reduce Tenant's rights beyond a de minimis extent.

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25.05 Tenant agrees that, except for the first month's rent hereunder, it will pay no rent under this Lease more than thirty (30) days in advance of its due date, if so restricted by any existing or future ground lease or mortgage to which this Lease is subordinated or by an assignment of this Lease to the ground lessor or the holder of such mortgage, and, in the event of any act or omission by Landlord, Tenant will not exercise any right to terminate this Lease or to remedy the default and deduct the cost thereof from rent due hereunder until Tenant shall have given written notice of such act or omission to the ground lessor and to the holder of any mortgage on the fee or the ground lease who shall have furnished such lessor's or holder's last address to Tenant, and until a reasonable period for remedying such act or omission shall have elapsed following the giving of such notices, during which time such lessor or holder shall have the right, but shall not be obligated, to remedy or cause to be remedied such act or omission. Tenant shall not exercise any right pursuant to this Section 26.02 if the holder of any mortgage or such aforesaid lessor commences to cure such aforesaid act or omission within a reasonable time and diligently prosecutes such cure thereafter.

ARTICLE 26

CERTIFICATE OF TENANT

26.01 Each party to this Lease agree, at any time and from time to time, as requested by the other, upon not less than ten (10) days prior notice, to execute and deliver to the requesting party a statement certifying that this Lease is unmodified and in full force and effect (or if there have been modifications that the same is in full force as modified and stating the modifications), certifying the dates to which the annual fixed rent and additional rent have been paid, and stating whether or not, to the best knowledge of the certifying party, the requesting party is in default in performance of any of its obligations under this Lease, and, if so, specifying each such default of which the certifying party may have knowledge, it being intended that any such statement delivered pursuant hereto may be relied upon by others with whom the requesting party may be dealing. Notwithstanding the foregoing, Landlord shall not be required to furnish such a statement unless it is required in connection with a financing, sublease or assignment. Landlord and Tenant shall each be entitled to give such statement to the best of its knowledge

and Landlord shall be entitled to take an exception for items of additional rent that have not yet been billed.

ARTICLE 27

LEGAL PROCEEDINGS WAIVER OF JURY TRIAL

27.01 Landlord and Tenant do hereby waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the demised premises, and/or any other claims (except claims for bodily injury or damage to physical property), and any emergency statutory or any other statutory remedy. It is further mutually agreed that in the event Landlord commences any summary proceeding for non-payment of rent, Tenant will not interpose and does hereby waive the right to interpose any counterclaim of whatever nature or description in any such proceeding.

ARTICLE 28

SURRENDER OF PREMISES

28.01 Upon the expiration or other termination of the term of this Lease, Tenant shall quit and surrender to Landlord the demised premises, broom clean, in good order and condition, ordinary wear and tear and damage by fire, the elements or other casualty excepted, and Tenant shall remove all of its property as herein provided. Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of the term of this Lease.

28.02 In the event Tenant remains in possession of the demised premises after the Expiration Date or the date of sooner termination of this Lease, Tenant, at the option of Landlord, shall be deemed to be occupying the demised premises as a holdover tenant from month-to-month, at a monthly rent equal to two (2) times the higher of (x) the sum of (i) the monthly installment of fixed rent payable during the last month of the term of this Lease, and (ii) one-twelfth (1/12th) of the additional rent payable during the last year of the term of this Lease or (y) the fair market value of the demised premises, calculated on a monthly basis, subject to all of the other terms and obligations of this Lease insofar as the same are applicable to a month-to-month tenancy.

ARTICLE 29

RULES AND REGULATIONS

29.01 Tenant and Tenant's servants, employees and agents shall observe faithfully and comply strictly with the Rules and Regulations set forth in Exhibit C attached hereto and made part hereof and the Alteration Rules and Regulations set forth in Exhibit F attached hereto and made a part hereof (herein collectively called the "Rules and Regulations") and such other and further reasonable Rules and Regulations as Landlord or Landlord's agents may from time to time adopt provided, however, that in case of any conflict or inconsistency between the provisions of this Lease and of any of the Rules and Regulations as originally or as

hereafter adopted, the provisions of this Lease shall control. Reasonable written notice of any additional Rules and Regulations shall be given to Tenant. The Rules and Regulations shall be applied to all office tenants in the Building in a non-discriminatory manner.

Nothing in this Lease contained shall be construed to impose upon Landlord any duty or obligation to enforce the Rules and Regulations or the terms, covenants or conditions in any other lease, against any other tenant of the Building, and Landlord shall not be liable to Tenant for violation of the same by any other tenant, its servants, employees, agents, visitors or licensees.

ARTICLE 30

CONSENTS AND APPROVALS

30.01 Wherever in this Lease Landlord's consent or approval is required, if Landlord shall delay or refuse such consent or approval, Tenant in no event shall be entitled to make, nor shall Tenant make, any claim, and Tenant hereby waives any claim, for money damages (nor shall Tenant claim any money damages by way of set-off, counterclaim or defense) based upon any claim or assertion by Tenant that Landlord unreasonably withheld or unreasonably delayed its consent or approval. Tenant's sole remedy shall be an action or proceeding to enforce any such provision, for specific performance, injunction or declaratory judgment.

ARTICLE 31

NOTICES

31.01 Any notice or demand, consent, approval or disapproval, or statement required to be given by the terms and provisions of this Lease, or by any law or governmental regulation, either by Landlord to Tenant or by Tenant to Landlord, shall be in writing. Unless otherwise required by such law or regulation, such notice or demand shall be given, and shall be deemed to have been served and given when such notice or demand is mailed by registered or certified mail deposited enclosed in a securely closed post-paid wrapper, in a United States Government general or branch post office, or official depository within the exclusive care and custody thereof with return receipt requested, or sent via Federal Express, UPS or like overnight national carrier, addressed to either party, at its address set forth on page 1 of this Lease. After Tenant shall occupy the demised premises, the address of Tenant for notices, demands, consents, approvals or disapprovals shall be the at the address designated above. Either party may, by notice as aforesaid, designate a different address or addresses for notices, demands, consents, approvals or disapprovals. Copies of notices sent by Tenant to Landlord shall be sent to Arent Fox Kintner Plotkin & Kahn PLLC, 1675 Broadway, New York, New York 10019, Attention: Bradley A. Kaufman, Esq. Copies of notices sent by Landlord shall be sent to Paone Callahan McHolm & Winton LLP, 19100 Von Karman, 8th Floor, Irvine, California 92713, Attention: Daniel K. Winton, Esq.

31.02 In addition to the foregoing, either Landlord or Tenant may, from time to time, request in writing that the other party serve a copy of any notice or demand, consent,

approval or disapproval, or statement, on one other person or entity designated in such request, such service to be effected as provided in Section 31.01 hereof.

ARTICLE 32

NO WAIVER

32.01 No agreement to accept a surrender of this Lease shall be valid unless in writing signed by Landlord. No employee of Landlord or of Landlord's agents shall have any power to accept the keys of the demised premises prior to the termination of this Lease. The delivery of keys to any employee of Landlord or of Landlord's agent shall not operate as a termination of this Lease or a surrender of the demised premises. In the event of Tenant at any time desiring to have Landlord sublet the premises for Tenant's account, Landlord or Landlord's agents are authorized to receive said keys for such purpose without releasing Tenant from any of the obligations under this Lease. The failure of Landlord to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this Lease or any of the Rules and Regulations set forth herein, or hereafter adopted by Landlord, shall not prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. The receipt by Landlord of rent with or without knowledge of the breach of any covenant of this Lease shall not be deemed a waiver of such breach. The failure of Landlord to enforce any of the Rules and Regulations set forth herein, or hereafter adopted, against Tenant and/or any other tenant in the Building shall not be deemed a waiver of any such Rules and Regulations. No provision of this Lease shall be deemed to have been waived by Landlord or Tenant, unless such waiver be in writing signed by Landlord or Tenant, as the case may be. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly rent herein stipulated shall be deemed to be other than on the account of the earliest stipulated rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment of rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy in this Lease provided.

32.02 This Lease contains the entire agreement between the parties, and any executory agreement hereafter made shall be ineffective to change, modify, discharge or effect an abandonment of it in whole or in part unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification, discharge or abandonment is sought.

ARTICLE 33

CAPTIONS

33.01 The captions are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this Lease nor the intent of any provision thereof.

ARTICLE 34

INABILITY TO PERFORM

34.01 If, by reason of (1) strike, (2) labor troubles, (3) governmental pre-emption in connection with a national emergency, (4) any rule, order or regulation of any governmental agency, (5) conditions of supply or demand which are affected by war or other national, state or municipal emergency, or any other cause or (6) any cause beyond Landlord's reasonable control, Landlord shall be unable to fulfill its obligations under this Lease or shall be unable to supply any service which Landlord is obligated to supply, Landlord shall have no liability therefor and this Lease and Tenant's obligation to pay rent hereunder shall in no wise be affected, impaired or excused.

ARTICLE 35

NO REPRESENTATIONS BY LANDLORD

35.01 Landlord or Landlord's agents have made no representations or promises with respect to the Building or demised premises except as herein expressly set forth.

ARTICLE 36

NAME OF BUILDING

36.01 Landlord shall have the full right at any time to name and change the name of the Building and to change the designated address of the Building. The Building may be named after any person, firm, or otherwise, whether or not such name is, or resembles, the name of a tenant of the Building.

ARTICLE 37

RESTRICTIONS UPON USE

37.01 It is expressly understood that no portion of the demised premises shall be used as, by or for (i) a bank, trust company, savings bank, industrial bank, savings and loan association or personal loan bank (or any branch office or public accommodation office of any of the foregoing), or (ii) a public stenographer or typist, barber shop, beauty shop, beauty parlor or shop, telephone or telegraph agency, telephone or secretarial service, messenger service, travel or tourist agency, employment agency, public restaurant or bar, commercial document reproduction or offset printing service, public vending machines, retail, wholesale or discount shop for sale of merchandise, retail service shop, labor union, school or classroom, governmental or quasi-governmental bureau, department or agency, including an autonomous governmental corporation, an advertising agency, a firm whose principal business is real estate brokerage, or a company engaged in the business of renting office or desk space.

ARTICLE 38

ARBITRATION

38.01 In each case specified in this Lease in which resort to arbitration shall be required, such arbitration (unless otherwise specifically provided in other Sections of this Lease) shall be in New York City in accordance with the Commercial Arbitration Rules of the American Arbitration Association and the provisions of this Lease. The decision and award of the arbitrators shall be in writing, shall be final and conclusive on the parties, and counterpart copies thereof shall be delivered to each of the parties. In rendering such decision and awards, the arbitrators shall not add to, subtract from or otherwise modify the provisions of this Lease. Judgment may be had on the decision and award of the arbitrators so rendered in any court of competent jurisdiction.

ARTICLE 39

INDEMNITY

39.01 Tenant shall indemnify, defend and save Landlord its agents and employees and any mortgagee of Landlord's interest in the Land and/or the Building and any lessor under any superior lease harmless from and against any liability or expense arising from the use or occupation of the demised premises by Tenant or anyone in the demised premises with Tenant's permission, or from any breach of this Lease by Tenant.

ARTICLE 40

MEMORANDUM OF LEASE

40.01 Tenant shall, at the request of Landlord execute and deliver a statutory form of memorandum of this Lease for the purpose of recording, but said memorandum of this Lease shall not in any circumstances be deemed to modify or to change any of the provisions of this Lease. In no event shall Tenant record this Lease or a memorandum thereof.

ARTICLE 41

MISCELLANEOUS

41.01 Irrespective of the place of execution or performance, this Lease shall be governed and construed in accordance with the laws of the State of New York.

41.02 This Lease shall be construed without regard to any presumption or other rule requiring construction against the party causing this Lease to be drafted.

41.03 Except as otherwise expressly provided in this Lease, each covenant, agreement, obligation or other provision of this Lease on Tenant's part to be performed shall be deemed and construed as a separate and independent covenant of Tenant, not dependent on any other provision of this Lease.

41.04 All terms and words used in this Lease, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require.

41.05 Time shall be of the essence with respect to the exercise of any option granted under this Lease.

41.06 Except as otherwise provided herein whenever payment of interest is required by the terms hereof it shall be at the Interest Rate.

41.07 Subject to Tenant's right to terminate this Lease prior to the Outside Date, if the demised premises or any additional space to be included within the demised premises shall not be available for occupancy by Tenant on the specific date hereinbefore designated for the commencement of the term of this Lease or for the inclusion of such space for any reason whatsoever, then this Lease shall not be affected thereby but, in such case, said specific date shall be deemed to be postponed until the date when the demised premises or such additional space shall be available for occupancy by Tenant, and Tenant shall not be entitled to possession of the demised premises or such additional space until the same are available for occupancy by Tenant, provided, however, that Tenant shall have no claim against Landlord, and Landlord shall have no liability to Tenant by reason of any such postponement of said specific date, and the parties hereto further agree that any failure to have the demised premises or such additional space available for occupancy by Tenant on said specific date or on the Commencement Date shall in no wise affect the obligations of Tenant hereunder nor shall the same be construed in any wise to extend the term of this Lease unless specifically provided to the contrary in the preamble to this Lease and furthermore, this Section 41.07 shall be deemed to be an express provision to the contrary of Section 223-a of the Real Property Law of the State of New York and any other law of like import now or hereafter in force.

41.08 In the event that Tenant is in arrears in payment of fixed annual rent or additional rent hereunder, Tenant waives Tenant's right, if any, to designate the items against which any payments made by Tenant are to be credited, and Tenant agrees that Landlord may apply any payments made by Tenant to any items it sees fit, irrespective of and notwithstanding any designation or request by Tenant as to the items against which any such payments shall be credited.

41.09 By their signatures below, the individuals signing this Lease hereby represent and warrant that they have due authority to execute this Lease and hereby intend to bind the entities for which they are signing

41.10 This Lease shall not be binding upon Landlord until the same is executed by Landlord and Tenant and an executed copy thereof has been delivered to Tenant.

ARTICLE 42

SECURITY DEPOSIT

42.01 Tenant shall simultaneously upon execution of this Lease deliver to Landlord and, shall, except as otherwise provided herein, maintain in effect at all times during

the term hereof, cash security in the amount of Two Hundred Sixty-One Thousand Eight Hundred Sixteen and 00/100 (\$261,816.00) Dollars as security for the faithful performance and observance by Tenant of the terms, provisions, covenants and conditions of this Lease.

Landlord and Tenant hereby agree that any cash security held by Landlord may be deposited in a non-interest bearing, commingled account and, in any event no interest thereon will accrue for the benefit of, or be payable to, Tenant.

42.02 In lieu of the cash security deposit provided for in Section 42.01 hereof Tenant may at any time during the term hereof deliver to Landlord and, shall, except as otherwise provided herein, maintain in effect at all times during the term hereof, an irrevocable letter of credit, in the form annexed hereto as Exhibit D, in the amount of the security required pursuant to this Article 42 issued by a banking corporation reasonably satisfactory to Landlord and having its principal place of business or its duly licensed branch or agency in the State of New York. Such letter of credit shall have an expiration date no earlier than the first anniversary of the date of issuance thereof. Except as otherwise provided in this Article 42, Tenant shall, throughout the term of this Lease deliver to Landlord successive extensions of such letter of credit or replacement letters of credit in lieu thereof (each such letter of credit and such extensions or replacements thereof, as the case may be, is hereinafter referred to as a "Security Letter") no later than 45 days prior to the expiration date of the preceding Security Letter. The term of each such Security Letter shall be not less than one year. If Tenant shall fail to obtain any extension or replacement of a Security Letter within the time limits set forth in this Section 42.02, Landlord may draw down the full amount of the existing Security Letter and retain the same as security hereunder.

42.03 In the event Tenant defaults, beyond any applicable notice and cure periods, in respect to any of the terms, provisions, covenants and conditions of this Lease, including, but not limited to, the payment of rent and additional rent, Landlord may use, apply or retain the whole or any part of the security so deposited to the extent required for the payment of any rent and additional rent or any other sum as to which Tenant is in default or for any sum which Landlord may expend or may be required to expend by reason of Tenant's default in respect of any of the terms, provisions, covenants, and conditions of this Lease, including but not limited to, any damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord. To insure that Landlord may utilize the security represented by the Security Letter in the manner, for the purpose, and to the extent provided in this Article, each Security Letter shall provide that the full amount thereof may be drawn down by Landlord upon the presentation to the issuing bank of Landlord's draft drawn on the issuing bank without accompanying memoranda on statement of beneficiary.

42.04 In the event that Tenant defaults, beyond any applicable notice and cure periods, in respect of any of the terms, provisions, covenants and conditions of the Lease and Landlord utilizes all or any part of the security represented by the Security Letter but does not terminate this Lease, Landlord may, in addition to exercising its rights as provided in Section 42.03, retain the unapplied and unused balance of the principal amount of the Security Letter as security for the faithful performance and observance by Tenant thereafter of the terms, provisions, and conditions of this Lease, and may use, apply, or retain the whole or any part of said balance to the extent required for payment of rent, additional rent, or any other sum as to

which Tenant is in default or for any sum which Landlord may expend or be required to expend by reason of Tenant's default in respect of any of the terms, covenants, and conditions of this Lease. In the event Landlord applies or retains any portion or all of the security delivered hereunder, Tenant shall forthwith restore the amount so applied or retained so that at all times the amount deposited shall be not less than the security required by Section 42.01 hereof.

42.05 In the event that Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this Lease, the security shall be returned to Tenant after the date fixed as the end of the Lease and after delivery of entire possession of the demised premises to Landlord. In the event of a sale of the Land and Building or leasing of the Building, Landlord shall have the right to transfer any interest it may have in the Security Letter to the vendee or lessee and Landlord shall thereupon be released by Tenant from all liability for the return of such Security Letter, provided such vendee or lessee assumes any responsibilities of Landlord with respect to such Security Letter, and Tenant agrees to look solely to the new landlord for the return of said Security Letter; and it is agreed that the provisions hereof shall apply to every transfer or assignment made of the Security Letter to a new landlord. Tenant further covenants that it will not assign or encumber or attempt to assign or encumber the monies deposited herein as security and that neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. In the event of a sale of the Building Landlord shall have the right to require Tenant to deliver a replacement Security Letter naming the new landlord as beneficiary and, if Tenant shall fail to timely deliver the same, to draw down the existing Security Letter and retain the proceeds as security hereunder until a replacement Security Letter is delivered.

42.06 Notwithstanding anything to the contrary, if during the four (4) year period commencing on the Rent Commencement Date (i) this Lease remains in full force and effect and (ii) Tenant has not been in default under this Lease after applicable notice and cure periods during such four (4) year period, then Tenant may, within thirty (30) days after such four (4) year period, submit a written request that Landlord reduce the amount of security deposit being held by Landlord under this Article 42 of the Lease to Two Hundred Eighteen Thousand One Hundred Eighty and 00/100 (\$218,180.00) Dollars, in which event, provided that at the time of such written request this Lease is in full force and effect and the condition in this Section 42.06(ii) has been satisfied and the amount of security then being held by Landlord under this Article 42 is at least Two Hundred Eighteen Thousand One Hundred Eighty and 00/100 (\$218,180.00) Dollars, Landlord shall return to Tenant from the security deposit being held by Landlord under this Article 42 the difference between the amount of the security deposit being so held by Landlord and Two Hundred Eighteen Thousand One Hundred Eighty and 00/100 (\$218,180.00) Dollars.

ARTICLE 43

PARTNERSHIP

43.01 If Tenant is a partnership, the liability of each of the partners comprising the partnership Tenant shall be joint and several. The technical dissolution of Tenant by reason of the death, retirement, resignation, bankruptcy or adjudication of incompetency of one or more partners, shall not affect this Lease or the liability thereunder of the partners, and Tenant agrees

that the partnership shall nevertheless continue as Tenant with respect to the remaining partners. Similarly, a merger or consolidation with another firm shall not be deemed a sublease or assignment or a violation of the provisions of this Lease.

43.02 Upon execution of this Lease by Landlord and Tenant shall promptly deliver to Landlord a list of the names and residence addresses of all existing partners comprising the partnership Tenant. In the event Tenant admits any new partners, Tenant agrees, within thirty (30) days thereafter, to give notice to Landlord of that fact and of the name and residence address of each new partner, together with such reasonable proof as Landlord shall require that all of such new partners have in writing assumed performance of Tenant's obligations under this Lease.

43.03 In the event of a merger or consolidation, Tenant agrees, within thirty (30) days thereafter, to give notice to Landlord of that fact and all of the names and residence addresses of the partners of the merged or consolidated firm, together with such reasonable proof as Landlord shall require that all of such partners have in writing assumed performance of Tenant's obligations under this Lease.

ARTICLE 44

SUBLEASE

44.01 Notwithstanding anything to the contrary contained herein, Tenant acknowledges that this Lease is a sublease of the demised premises and is subject and subordinate to all of the terms, covenants, conditions, agreements and provisions in the lease (the "Ground Lease") dated May 1, 1957 between Prudential Insurance Company of America, as landlord and Landlord's predecessor-in-interest, as tenant, and in the sublease dated June 27, 1958 between 500-512 Seventh Avenue Associates, as sublessor and Landlord's predecessor-in-interest (such lease and sublease as the same has been amended and assigned are hereinafter severally and collectively called the "Superior Documents"). Landlord warrants and represents that nothing in the Superior Documents prohibits the making of this Lease or the terms thereof and that the Superior Documents are in full force and effect.

44.02 Landlord represents it is the holder of both the sublandlord and the sublessee's interest under the aforementioned sublease dated June 27, 1958 (hereinafter called the "Superior Sublease"). If the Superior Sublease shall be terminated by reason of the default of the subtenant thereunder, Tenant shall attorn to Landlord as the lessee under the Ground Lease and Landlord in that capacity shall recognize Tenant under all of the terms, covenants and conditions of this Lease.

44.03 Landlord and Tenant agree that the leasehold estate created by this Lease shall not merge with any other estate held by Landlord or an affiliate of Landlord in the property of which the demised premises form a part or any other interest of Landlord in the demised premises and the Building, unless Landlord shall expressly elect to have such estates merge.

ARTICLE 45

INTENTIONALLY OMITTED

ARTICLE 46

INTENTIONALLY OMITTED

ARTICLE 47

FIRST OFFERING SPACE

47.01 (a) For purposes of this Lease, the term "First Offering Space" shall mean the entire fortieth (40th) floor of the Building which is shown on the floor plan annexed hereto as Exhibit E.

(b) Provided Tenant is not, and has not been, in default under the terms and conditions of this Lease either as of the date of the giving of "Tenant's First Notice" or the "First Offering Space Inclusion Date" (as such terms are hereinafter defined), if at any time during the term of this Lease the First Offering Space shall become available for leasing to anyone other than a "Superior Occupant" as that term is hereinafter defined), then Landlord, before offering such First Offering Space to anyone other than a Superior Occupant, shall offer to Tenant, subject to the provisions of this Article 47, the right to include the entire First Offering Space within the demised premises upon all the terms and conditions of this Lease (including the provisions of Article 3 with the base year periods specified therein but excluding Section 50.07 hereof), except that:

(i) the fixed annual rent with respect to the First Offering Space shall be at the higher of (x) the fair market rent for the First Offering Space, which shall be determined by Landlord as of the date (hereinafter called the "First Offering Space Determination Date") occurring thirty (30) days prior to the First Offering Space Inclusion Date (as such term is hereinafter defined) and shall be set forth in a written notice to Tenant, or (y) the product obtained by multiplying (A) the monthly amount of fixed annual rent (determined on a rentable square foot basis) for the last full calendar month prior to the First Offering Space Inclusion Date (as hereinafter defined) computed on an annualized basis without giving effect to any abatement, credit or offset in effect, by (B) 12, and by (C) the amount of rentable square feet included within the First Offering Space (hereinafter called the "First Offering Space Escalated Rent");

(ii) Effective as of the First Offering Space Inclusion Date for purposes of calculating the additional rent payable pursuant to Article 3 allocable to the First Offering Space, Tenant's Proportionate Share shall be increased by a fraction, expressed as a percentage, the numerator of which shall be the number of rentable square feet included within the First Offering Space, and the denominator of which shall be 511,304;

(iii) The term "Wage Rate Multiple" shall be increased by the number of rentable square feet of the First Offering Space;

(iv) The security required to be maintained pursuant to Article 42 hereof shall be increased by an amount equal to one-half (1/2) the fixed annual rent for the First Offering Space;

(v) The term "Base Credit" as set forth in Section 50.06 of this Lease shall mean the product obtained by multiplying (A) Seven Dollars (\$7.00) by (B) the amount of rentable square feet included within the First Offering Space; and

(vi) The dates set forth in Sections 50.04 and 50.05(v) shall be reasonably determined by Landlord and Tenant to be within a reasonable time after the First Offering Space Inclusion Date.

(c) Such offer shall be made by Landlord to Tenant in a written notice (hereinafter called the "First Offer Notice") which offer shall specify the fixed annual rent payable with respect to the First Offering Space, determined in accordance with the provisions of subsection (b) hereof.

(d) Tenant may accept the offer set forth in the First Offer Notice by delivering to Landlord an unconditional acceptance (hereinafter called "Tenant's First Notice") of such offer within ten (10) Business Days after delivery by Landlord of the First Offer Notice to Tenant. Such First Offering Space shall be added to and included in the demised premises on the later to occur (herein called the "First Offering Space Inclusion Date") of (i) the day that Tenant exercises its option as aforesaid, or (ii) the date such First Offering Space shall become available for Tenant's possession. TIME SHALL BE OF THE ESSENCE with respect to the giving of Tenant's First Notice.

(e) If Tenant does not accept (or fails to timely accept) an offer made by Landlord pursuant to the provisions of this Article 47 with respect to all or any portion of the First Offering Space, (i) Tenant shall have no further right under this Article 47 to lease all or any part of the First Offering Space, and (ii) Landlord shall have no further obligations under this Article 47, which shall be deemed null and void.

(f) In the event that Tenant disputes the amount of the fair market rent specified in the First Offer Notice, then at any time on or before the date occurring twenty (20) days after Tenant has received the First Offer Notice, and provided that Tenant shall have given Tenant's First Notice, Tenant may initiate the arbitration process provided for herein by giving notice to that effect to Landlord, and, if Tenant so initiates the arbitration process, such notice shall specify the name and address of the person designated to act as an arbitrator on its behalf. Within thirty (30) days after the Landlord's receipt of notice of the designation of Tenant's arbitrator, Landlord shall give notice to Tenant specifying the name and address of the person designated to act as an arbitrator on its behalf. If Landlord fails to notify Tenant of the appointment of its arbitrator within the time above specified, then Tenant shall provide an additional notice to Landlord requiring Landlord's appointment of an arbitrator within twenty (20) days after Landlord's receipt thereof. If Landlord fails to notify Tenant of the appointment

of its arbitrator within the time specified by the second notice, the appointment of the second arbitrator shall be made in the same manner as hereinafter provided for the appointment of a third arbitrator in a case where the two arbitrators appointed hereunder and the parties are unable to agree upon such appointment. The two arbitrators so chosen shall meet within ten (10) days after the second arbitrator is appointed, and if, within sixty (60) days after the second arbitrator is appointed, the two arbitrators shall not agree upon a determination of the fair market rent for the First Offering Space, they shall together appoint a third arbitrator. In the event of their being unable to agree upon such appointment within eighty (80) days after the appointment of the second arbitrator, the third arbitrator shall be selected by the parties themselves if they can agree thereon within a further period of fifteen (15) days. If the parties do not so agree, then either party, on behalf of both and on notice to the other, may request such appointment by the American Arbitration Association (or any organization successor thereto) in accordance with its rules then prevailing or if the American Arbitration Association (or such successor organization) shall fail to appoint said third arbitrator within fifteen (15) days after such request is made, then either party may apply, on notice to the other, to the Supreme Court, New York County, New York (or any other court having jurisdiction and exercising functions similar to those now exercised by said Court) for the appointment of such third arbitrator. The majority of the arbitrators shall determine the fair market rent for the First Offering Space and render a written certified report of their determination to both Landlord and Tenant within sixty (60) days of the appointment of the first two arbitrators or sixty (60) days from the appointment of the third arbitrator, if such third arbitrator is appointed pursuant to this subparagraph (f), but in no event shall the fixed annual rent with respect to the First Offering Space be less than the First Offering Space Escalated Rent.

Each party shall pay the fees and expenses of the one of the two original arbitrators appointed by or for such party, and the fees and expenses of the third arbitrator and all other expenses (not including the attorneys' fees, witness fees and similar expenses of the parties which shall be borne separately by each of the parties) of the arbitration shall be borne by the parties equally.

Each of the arbitrators selected as herein provided shall have at least ten (10) years' experience in the leasing and renting of office space on behalf of landlords in Midtown Manhattan.

(g) If Tenant fails to initiate the arbitration process within the aforesaid twenty (20) day period, time being of the essence, then Landlord's determination of the fixed annual rent set forth in the First Offer Notice shall be conclusive. In the event Landlord notifies Tenant that the fixed annual rent for the First Offering Space shall be the First Offering Space Escalated Rent, then the provisions of subparagraph (f) hereof shall be inapplicable.

(h) In the event the Tenant initiates the aforesaid arbitration process and, as of the First Offering Space Inclusion Date, the amount of the fair market rent has not been determined, Tenant shall pay the amount determined by Landlord to be the fair market rent for the First Offering Space and when the determination has actually been made, an appropriate retroactive adjustment shall be made as of the First Offering Space Inclusion Date.

(i) The provisions of this Article 47 shall be effective only if, on the date on which Tenant accepts possession of the First Offering Space, the Tenant named herein and only such Tenant is in actual occupancy of the entire demised premises.

(j) Tenant agrees to accept the First Offering Space in its condition and state of repair existing as of the First Offering Space Inclusion Date and understands and agrees that Landlord shall not be required to perform any work, supply any materials or incur any expense to prepare such space for Tenant's occupancy.

(k) The fixed annual rent for the First Offering Space as determined pursuant to this Article 47 shall be subject to periodic increases for any period during the term of this Lease for which such fixed annual rent would otherwise be less (on a per rentable square foot basis) than the fixed annual rent payable pursuant to Section 1.01 hereof (on a per rentable square foot basis) for such period, so that the fixed annual rent payable during such periods with respect to the First Offering Space shall be equal (on a per rentable square foot basis) to the fixed annual rent payable pursuant to Section 1.01 hereof during such periods.

47.02 The term "Superior Occupant" shall mean for the purposes of this Article 47, any tenant of the First Offering space or any subsidiary or affiliate thereof or any other person or entity to which Landlord shall have granted any option, right of first offer or other right to lease or occupy the First Offering Space prior to the Commencement Date.

47.03 Notwithstanding any language to the contrary contained in this Lease, only the tenant named herein (i.e., Resources Connection LLC) and any permitted assignee under Section 11.02 hereof shall have the right to lease additional space pursuant to this Article 47.

ARTICLE 48

EXTENSION OF TERM OPTION

48.01 (a) Subject to the provisions of subsection (k) hereof, Tenant shall have the right to extend the term of this Lease for one (1) additional term of five (5) years commencing on the day following the Expiration Date (hereinafter referred to as the "Commencement Date of the Extension Term") and ending on the last day of the calendar month in which occurs the day preceding the fifth (5th) anniversary of the Commencement Date of the Extension Term (such additional term is hereinafter called the "Extension Term") provided that:

(i) Tenant shall give Landlord notice (hereinafter called the "Extension Notice") of its election to extend the term of this Lease at least twelve (12) months prior to the Expiration Date, and

(ii) Tenant is not, and has not been, in default under the Lease as of the time of the giving of the Extension Notice and as of the Commencement Date of the Extension Term, and

(iii) as of the time of the giving of the Extension Notice and as of the Commencement Date of the Extension Term, Tenant is in actual occupancy

of the entire demised premises (including any additional space in the Building hereafter leased by Tenant).

(b) The fixed annual rent payable by Tenant to Landlord during the Extension Term shall be the higher of:

(i) the fair market rent for the demised premises determined as of the date occurring six (6) months prior to the Commencement Date of the Extension Term (such date is hereinafter called the "Determination Date") and which determination shall be made within a reasonable period of time after the occurrence of the Determination Date pursuant to the provisions of subsection (d) hereof, or

(ii) the product obtained by multiplying the rentable square foot area of the demised premises by the fixed annual rent and additional rent payable by Tenant to Landlord pursuant to Articles 1 and 3, respectively, hereof for the last month of the initial term of this Lease on an annualized basis (including the most recent rate of additional rent calculated on a monthly basis payable pursuant to Article 3 hereof) with respect to the demised premises (without giving effect to any abatements, set offs or concessions then in effect) determined on a per rentable square foot basis.

(c) Effective as of the Commencement Date of the Extension Term:

(i) the "Base Tax" set forth in Section 3.01(a) hereof shall be deemed to be the product of (x) the amount for which the Land and the Building are assessed for the purpose of establishing the real estate taxes to be paid by Landlord for the Tax Year ending on the June 30 immediately preceding the Determination Date, multiplied by (y) the real estate tax rate for such Tax Year, and

(ii) the "Base Wage Rate" set forth in Section 3.01(i) hereof shall be deemed to mean the Wage Rate in effect on January 1st of the calendar year immediately preceding the calendar year in which occurs the Determination Date.

(d) Landlord and Tenant shall endeavor to agree as to the amount of the fair market rent for the demised premises pursuant to the provisions of clause (i) of subsection (a) hereof, during the thirty (30) day period following the Determination Date. In the event that Landlord and Tenant cannot agree as to the amount of the fair market rent within such thirty (30) day period following the Determination Date, then Landlord or Tenant may initiate the arbitration process provided for herein by giving notice to that effect to the other, and the party so initiating the appraisal process (such party hereinafter referred to as the "Initiating Party") shall specify in such notice the name and address of the person designated to act as an arbitrator on its behalf. Within thirty (30) days after the designation of such arbitrator, the other party (hereinafter referred to as the "Other Party") shall give notice to the Initiating Party specifying the name and address of the person designated to act as an arbitrator on its behalf. If the Other

Party fails to notify the Initiating Party of the appointment of its arbitrator within the time above specified, then the appointment of the second arbitrator shall be made in the same manner as hereinafter provided for the appointment of a third arbitrator in a case where the two arbitrators appointed hereunder and the parties are unable to agree upon such appointment. The two arbitrators so chosen shall meet within ten (10) days after the second arbitrator is appointed and if, within sixty (60) days after the second arbitrator is appointed, the two arbitrators shall not agree, they shall together appoint a third arbitrator. In the event of their being unable to agree upon such appointment within eighty (80) days after the appointment of the second arbitrator, the third arbitrator shall be selected by the parties themselves if they can agree thereon within a further period of fifteen (15) days. If the parties do not so agree, then either party, on behalf of both and on notice to the other, may request such appointment by the American Arbitration Association (or organization successor thereto) in accordance with its rules then prevailing or if the American Arbitration Association (or such successor organization) shall fail to appoint said third arbitrator within fifteen (15) days after such request is made, then either party may apply on notice to the other, to the Supreme Court, New York County, New York (or any other court having jurisdiction and exercising functions similar to those now exercised by said Court) for the appointment of such third arbitrator.

(e) Each party shall pay the fees and expenses of the one of the two original arbitrators appointed by or for such party, and the fees and expenses of the third arbitrator and all other expenses (not including the attorneys' fees, witness fees and similar expenses of the parties which shall be borne separately by each of the parties) of the arbitration shall be borne by the parties equally.

(f) The majority of the arbitrators shall determine the fair market rent of the demised premises and render a written certified report of their determination to both Landlord and Tenant within sixty (60) days of the appointment of the first two arbitrators or sixty (60) days from the appointment of the third arbitrator if such third arbitrator is appointed pursuant to this subsection (d), and the fair market rent, so determined, shall be applied to determine as above provided, whether the fixed annual rent shall be increased pursuant to clause (i) of subsection (b) hereof for the Extension Term.

(g) Each of the arbitrators selected as herein provided shall have at least ten (10) years' experience in the leasing and renting of office space on behalf of landlords in first class office buildings in Midtown Manhattan, New York County.

(h) If Landlord notifies Tenant that the fixed annual rent for the Extension Term shall be equal to the amount set forth in clause (ii) of subsection (b) hereof, then the provisions of subsection (d) hereof shall be inapplicable and have no force or effect.

(i) In the event Landlord or Tenant initiates the appraisal process pursuant to subsection (d) hereof and as of the Commencement Date of the Extension Term the amount of the fair market rent has not been determined, Tenant shall pay the amount determined by Landlord to be the fair market rent for the demised premises and when such determination has been made, an appropriate retroactive adjustment shall be made as of the Commencement Date of the Extension Term.

(j) Except as provided in subsection (b) hereof, Tenant's occupancy of the demised premises during the Extension Term shall be on the same terms and conditions as are in effect immediately prior to the expiration of the initial term of this Lease, provided, however, Tenant shall have no further right to extend the term of this Lease pursuant to this Article.

(k) If Tenant does not send the Extension Notice pursuant to provisions of subsection (a) hereof, this Article shall have no force or effect and shall be deemed deleted from this Lease.

(l) If this Lease is renewed for the Extension Term, then Landlord or Tenant can request the other party hereto to execute an instrument in form for recording setting forth the exercise of Tenant's right to extend the term of this Lease and the last day of the Extension Term.

(m) If Tenant exercises its right to extend the term of this Lease for the Extension Term pursuant to this Article, the phrases "the term of this Lease" or "the term hereof" as used in this Lease, shall be construed to include, when practicable, the Extension Term.

48.02 Notwithstanding any language to the contrary contained in this Lease, only the Tenant named herein (i.e., Resources Connection, LLC) shall have the right to extend the term of this Lease pursuant to this Article 48.

ARTICLE 49

INTENTIONALLY OMITTED

ARTICLE 50

LAYOUT AND FINISH; TENANT WORK CREDIT

50.01 Tenant hereby covenants and agrees that Tenant will, at Tenant's own cost and expense, and in a good and workmanlike manner, make and complete the work and installations in and to the demised premises set forth below in such manner so that the demised premises will be tasteful and dignified executive and administrative offices.

50.02 Tenant, at Tenant's expense, shall prepare a final plan or final set of plans and specifications (which said plan or set of plans, as the case may be, and specifications are hereinafter called the "final plan") which shall contain complete information and dimensions necessary for the construction and finishing of the demised premises. The final plan shall be submitted to Landlord for Landlord's written approval which approval shall not be unreasonably withheld or delayed with respect to work which is interior, non-structural and does not adversely affect the Building systems, the exterior of the Building or any area of the Building outside the demised premises. Landlord shall not be deemed unreasonable in withholding its consent to the extent that the final plan prepared by Tenant pursuant hereto involves the performance of work or the installation in the demised premises of materials or equipment which do not equal or exceed the standard of quality of Building Standard (as defined in Section 50.05(i) hereof)

installations. Tenant shall reimburse Landlord promptly upon demand for any costs and expenses incurred by Landlord in connection with Landlord's review of the final plan.

50.03 In accordance with the final plan, Tenant, at Tenant's expense, will make and complete in and to the demised premises the work and installations (hereinafter called "Tenant's Work") specified in the final plan. Tenant agrees that Tenant's Work will be performed with the least possible disturbance to the occupants of other parts of the Building and to the structural and mechanical parts of the Building and Tenant will, at its own cost and expense, leave all structural and mechanical parts of the Building which shall or may be affected by Tenant's Work in good and workmanlike operating condition. Tenant, in performing Tenant's Work will, at its own cost and expense, promptly comply with all laws, rules and regulations of all public authorities having jurisdiction in the Building with reference to Tenant's Work. If any act or omission of Tenant or its general contractor, subcontractors or agents render the Building of which the demised premises are a part liable to any mechanic's lien or other lien and if any such lien or liens be filed against the Building of which the demised premises are a part, or against Tenant's Work, or any part thereof, Tenant will, at Tenant's own cost and expense, promptly remove the same of record within thirty (30) days after the filing of such lien or liens; or in default thereof, Landlord may cause any such lien or liens to be removed of record by payment of bond or otherwise, as Landlord may elect, and Tenant shall reimburse Landlord for all costs and expenses incidental to the removal of any such lien or liens incurred by Landlord. Tenant shall indemnify and save harmless Landlord of and from all claims, counsel fees, loss, damage and expenses whatsoever by reason of any liens, charges or payments of any kind whatsoever that may be incurred or become chargeable against Landlord or the Building of which the demised premises are a part, or Tenant's Work or any part thereof, by reason of any work done or to be done or materials furnished or to be furnished to or upon the demised premises in connection with Tenant's Work. Tenant hereby covenants and agrees to indemnify and save harmless Landlord of and from all claims, counsel fees, loss, damage and expenses whatsoever by reason of any injury or damage, howsoever caused, to any person or property occurring prior to the completion of Tenant's Work or occurring after such completion, as a result of anything done or omitted in connection therewith or arising out of any fine, penalty or imposition or out of any other matter or thing connected with any work done or to be done or materials furnished or to be furnished in connection with Tenant's Work. At any and all times during the progress of Tenant's Work, Landlord shall be entitled to have a representative or representatives on the site to inspect Tenant's Work and such representative or representatives shall have free and unrestricted access to any and every part of the demised premises upon reasonable prior notice (which may be oral, except in cases of an emergency) and provided such access shall not unduly disrupt Tenant's Work. Tenant shall advise Landlord in writing of Tenant's general contractor who are to do Tenant's Work, and such general contractor shall be subject to Landlord's prior written approval; such contractor shall, to the extent permitted by law, use subcontractors and employees for Tenant's Work who will work harmoniously with other employees on the job. Notwithstanding the foregoing, Tenant shall use the life safety system subcontractor designated by Landlord to perform any work to connect Tenant's installations to the Building's life safety system.

50.04 Tenant shall, at Tenant's sole cost and expense, file all necessary architectural plans and obtain all necessary approvals and permits in connection with Tenant's

Work being performed by it pursuant to this Article 50. Tenant shall submit to Landlord Tenant's final plans for Landlord's review no later than December 1, 2000.

50.05 The following conditions shall also apply to Tenant's Work:

(i) all Tenant's Work shall be of good material, manufacture, design, capacity, quality and color at least equal to the reasonable standard adopted by Landlord for the Building (which for all purposes of this Lease shall constitute "Building Standard");

(ii) Tenant, at Tenant's expense, shall (i) file all required architectural, mechanical and electrical drawings and obtain all necessary permits, and (ii) furnish and perform all engineering and engineering drawings in connection with Tenant's Work. Tenant shall obtain Landlord's approval of the drawings referred to in (i) and (ii) hereof, which approval shall not be unreasonably withheld or delayed;

(iii) Tenant shall use an engineer reasonably approved by Landlord with respect to the preparation of Tenant's engineering drawings for Tenant's Work;

(iv) All of the provisions of Articles 6 and 8 hereof shall apply to Tenant's performance of Tenant's Work; and

(v) Tenant's Work shall be substantially completed no later than July 1, 2001, subject to delays beyond Tenant's control. The term "substantially completed" shall mean the work is completed except for minor or insubstantial details of construction, mechanical adjustment, decoration, or other punch-list items which remain to be performed.

50.06 Tenant agrees to install the Units (as defined in Section 21.05) in accordance with Articles 6, 8 and 50 hereof as part of Tenant's Work (including, without limitation, all electrical hook-ups and louvers for fresh air intake and exhaust) and to perform all work necessary to upgrade the restrooms on the thirty-ninth (39th) floor of the Building in compliance with the Building Standards, with Local Law 58 and with the Americans with Disabilities Act of 1990 (collectively, the "Base Work"). Landlord shall allow Tenant a credit not to exceed the amount of Seventy-Six Thousand Three Hundred Sixty-Three and 00/100 Dollars (\$76,363.00) (hereinafter called the "Base Credit"), which credit shall be applied solely against the cost and expense incurred in connection with the Base Work. In the event that the cost and expense of the Base Work shall exceed the amount of the Base Credit, Tenant shall be entirely responsible for such excess. In the event that the cost and expense of Base Work shall be less than the amount of the Base Credit, then the amount of the Base Credit shall be reduced accordingly. Provided Tenant shall not be in default under this Lease, beyond any applicable notice and cure periods, the Base Credit shall be payable to Tenant upon substantial completion of the Base Work and upon submission to Landlord of paid invoices therefor together with (i) a certificate of the licensed architect employed by Tenant certifying that (x) the total cost of the Base Work (which certification shall substantiate such total costs to the satisfaction of Landlord) and (y) the Base Work has been performed and completed in accordance with the provisions of this Lease and the final plans approved by Landlord, (ii) evidence reasonably satisfactory to Landlord that all sums due and owing to contractors,

subcontractors and materialmen have been paid, including final lien waivers, (iii) evidence satisfactory to Landlord that all governmental authorities (including, without limitation, the New York City Department of Buildings) have issued final approval of the work as built and of the occupancy of the demised premises, and (iv) two (2) copies of "as built" plans of the demised premises.

50.07 Landlord shall allow Tenant a credit not to exceed the amount of Three Hundred Eighty-One Thousand Eight Hundred Fifteen and 00/100 Dollars (\$381,815.00) (hereinafter called the "Work Credit"), which credit shall be applied solely against the cost and expense incurred in performing Tenant's Work, other than the Base Work. In the event that the cost and expense of the Tenant's Work (exclusive of the Base Work) shall exceed the amount of the Work Credit, Tenant shall be entirely responsible for such excess. In the event that the cost and expense of Tenant's Work (exclusive of the Base Work) shall be less than the amount of the Work Credit, then the amount of the Work Credit shall be reduced accordingly. Provided Tenant shall not be in default under this Lease, beyond any applicable notice and cure periods, the Work Credit shall be payable to Tenant upon substantial completion of Tenant's Work and upon submission to Landlord of paid invoices therefor together with (i) a certificate of the licensed architect employed by Tenant certifying (x) the total cost of the Tenant's Work (which certification shall substantiate such total costs to the satisfaction of Landlord) and (y) that Tenant's Work has been performed and completed in accordance with the provisions of this Lease and the final plans approved by Landlord, (ii) evidence reasonably satisfactory to Landlord that all sums due and owing to contractors, subcontractors and materialmen have been paid, including final lien waivers, (iii) evidence satisfactory to Landlord that all governmental authorities (including, without limitation, the New York City Department of Buildings) have issued final approval of the work as built and of the occupancy of the demised premises, and (iv) two (2) copies of "as built" plans of the demised premises.

50.08 Tenant acknowledges that as of the date hereof there are separate Class E systems and sprinkler risers for the Building and for that certain building known and located at 500 Seventh Avenue, New York, New York (the "500 Building"). Tenant further acknowledges that during the term of this Lease, Landlord in its sole election, may combine the lobbies of the Building and the 500 Building into a single lobby in a location to be selected by Landlord, in its sole discretion, and unify the Class E systems for the Building. In the event Landlord shall elect to combine the lobbies of the Building and the 500 Building and unify the Class E systems, then Tenant shall, at Landlord's cost and expense, make all necessary modifications and install all necessary devices within the demised premises to comply with applicable laws and regulations. Landlord agrees to use reasonable efforts to the extent practicable to perform the alterations permitted under this Article 50 in a manner so as to not unreasonably interfere with the conduct of Tenant's business in the demised premises, provided that Landlord shall not be required to effect the same on an overtime or premium-pay basis.

* * * * *

[The remainder of this page is left intentionally blank;
the signature page follows.]

IN WITNESS WHEREOF, Landlord and Tenant have respectively executed this Lease as of the day and year first above written.

LANDLORD:

500-512 SEVENTH AVENUE LIMITED PARTNERSHIP

By: 500-512 ArCap LLC

By: _____

Name:

Title: Authorized Representative

TENANT:

RESOURCES CONNECTION LLC

By: _____

Name:

Title:

Tenant's Tax Identification Number is: 33-0832424

Exhibit A

FLOOR PLAN

[Attached]

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Exhibit B

PROPERTY DESCRIPTION

All that certain plot, piece or parcel of land, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, known as 512 Seventh Avenue and designated as follows:

Section: 3
Block: 787
Lot: 44

Exhibit C

RULES AND REGULATIONS

I. Tenant shall not:

1. obstruct, encumber or use, or allow or permit any of its employees, agents, licensees or invitees to congregate in or on, the sidewalks, driveways, entrances, passages, courts, arcades, esplanade areas, plazas, elevators, vestibules, stairways, corridors or halls of the Building, outside of the demised premises, or use any of them for any purposes other than for ingress and egress to and from the demised premises;
2. attach awnings or other projections to the outside walls of the Building or place bottles, parcels or other articles, or lettering visible from the exterior, on the windows, windowsills or peripheral air conditioning enclosures;
3. attach to, hang on, or use in connection with, any exterior window or entrance door of the demised premises, any blinds, shades or screens which are not of a quality, type, design and color, or which are not attached in a manner, approved by Landlord;
4. place or leave any door mat or other floor covering in any area outside of the demised premises;
5. exhibit, inscribe, paint or affix any sign, insignia, advertisement, object or other lettering in or on any windows, doors, walls or part of the outside or inside of the Building (exclusive of the inside of the demised premises), or in the demised premises if visible from the outside, without Landlord's approval, except that the name(s) of Tenant and any permitted sublessee may be displayed on the entrance doors of the premises occupied by each, subject to Landlord's reasonable approval of the size, color and design of such display and, if Landlord elects to perform such work, Tenant shall pay Landlord for the performance of such work;
6. cover or obstruct the sashes, sash doors, skylights, windows and doors that reflect or admit light and air into the halls, passageways or other public areas of the Building;
7. place in, sweep or permit to be swept, attach to, put in front of, or affix to any part of the exterior of, the Building or any of its halls, doors, windows, elevators, corridors or vestibules, outside of the demised premises, any lettering, signs, decorations, showcases, displays, display windows, packages, boxes or other articles;
8. except in the normal decoration of the interior of the demised premises, mark, paint, drill into, or in any way deface, any part of the Building or the demised premises or cut, bore or string wires therein;

9. permit or allow bicycles, vehicles, animals, fish or birds of any kind to be brought into or kept on or about the Building or the demised premises;

10. make, permit or allow to be made, any unseemly or disturbing noises, whether by musical instruments, recordings, radio, talking machines, television, whistling, singing or in any other way, which might disturb other occupants in the Building or those having business with them or impair or interfere with the use or enjoyment by others of neighboring buildings or premises;

11. bring into or keep on any part of the demised premises or the Building any inflammable, combustible, radioactive or explosive fluid, chemical or substance;

12. place upon any of the doors (other than closet or vault doors) or windows in the Building any locks or bolts which shall not be operable by the Grand Master Key for the Building, or make any changes in locks or the mechanisms thereof which shall make such locks inoperable by said Grand Master Key unless such change is approved by Landlord in which event Tenant shall give Landlord duplicate keys for such locks or bolts;

13. remove, or carry into or out of the demised premises or the Building, any safes, freight, furniture, packages, boxes, crates or any bulky or heavy objects except during such hours and in such elevators as Landlord may reasonably determine from time to time;

14. use any lighting in perimeter areas of the Building, other than that which is standard for the Building or approved by Landlord, so as to permit uniformity of appearance to those viewing the Building from the outside;

15. engage or pay any employees on the demised premises except those actually working for the Tenant in the demised premises, or advertise for laborers giving the demised premises as an address;

16. obtain, permit or allow in the Building the purchase, or acceptance for use in the demised premises, by means of a service cart, vending machine or otherwise, of any ice, drinking water, food, tobacco in any form, beverage, towel, barbering, boot blackening, cleaning, floor polishing or other similar items or services from any persons, except such persons, during such hours, and at such places within the Building and under such requirements as may be determined by Landlord with respect to the furnishing of such items and services, provided that the charges for such items and services by such persons are not excessive;

17. use, permit or allow any advertising or identifying sign which the Landlord shall have notified Tenant tends, in Landlord's judgment, to impair the reputation of the Building or its desirability as a building for offices;

18. close and leave the demised premises at any time without closing all operable windows and, if requested by Landlord, turning out all lights;

19. permit entrance doors to the demised premises to be left open at any time or unlocked when the demised premises are not in use;

20. encourage canvassing, soliciting or peddling in any part of the Building or permit or allow the same in the demised premises;

21. use, or permit or allow any of its employees, contractors, suppliers or invitees to use, any space or part of the Building, including the passenger elevators or public halls thereof, in the moving, delivery or receipt of safes, freight, furniture, packages, boxes, crates, paper, office material or any other matter or thing, any hand trucks, wagons or similar items which are not equipped with such rubber tires, side guards and other safeguards which shall have been approved by Landlord or use any such hand trucks, wagons or similar items in any of the passenger elevators;

22. cause or permit any food odors or any other unusual or objectionable odors to exist in or emanate from the demised premises or permit any cooking or preparation of food except in areas approved by Landlord and in compliance with local ordinances;

23. create or permit a public or private nuisance, by reason of noise, odors and/or vibrations or otherwise;

24. throw or allow or permit to be thrown anything out of the doors, windows or skylights or down the passageways or stairways of the Building;

25. lay vinyl asbestos tile or other similar floor covering so that the same shall come in direct contact with the floor or in a manner or by means of such pastes or other adhesives which shall not have been approved by Landlord, it being understood that if linoleum or other similar floor covering is desired to be used, an interlining of builder's deadening felt shall be first affixed to the floor, by a paste or other material which is soluble in water, the use of cement or other similar adhesive material being expressly prohibited;

26. use, allow or permit the passenger elevators to be used by Tenant's working hands (persons in rough clothing handling packages, cartons and shipments of material or mail) or persons carrying bulky packages or by persons calling for or delivering mail or goods to or from the demised premises, and Tenant shall cooperate with Landlord in enforcing this Rule on those making deliveries to Tenant;

27. request any of Landlord's agents, employees or contractors to perform any work, or do anything, outside of their regular duties, unless previously approved by the Building manager;

28. invite to the demised premises or the Building, or permit the visit of, persons in such numbers or under such conditions as unreasonably to interfere with the use and enjoyment of any of the plazas, entrances, corridors, arcades, escalators, elevators or other facilities of the Building by other occupants thereof;

29. use, permit or allow the use of any fire exits or stairways for any purpose other than emergency use;

30. employ any firm, person or persons to move safes, machines or other heavy objects into or out of the Building, without prior approval of Landlord of such persons and the manner in which such items will be moved, which approval shall not be unreasonably withheld;

31. install or use any machines or machinery of any kind whatsoever which may disturb any persons outside of the demised premises;

32. use the water and wash closets or other plumbing fixtures for any purpose other than those for which they were constructed, and shall not allow or permit sweepings, rubbish, rags, or other solid substances to be thrown therein; or

33. install any carpeting or drapes, or paneling, grounds or other decorative wood products, in the demised premises, other than those wood products considered furniture, which are not treated with fire-retardant materials and, in such event, shall submit, to Landlord's reasonable satisfaction, proof or other reasonable certification of the materials reasonably satisfactory fire retardant characteristics.

34. smoke or carry lighted cigars or cigarettes in the elevators of the building.

II. Tenant shall:

1. pay Landlord for any damages, costs or expenses incurred by Landlord with respect to the breach of any of the Rules and Regulations contained in or provided by this Lease by Tenant, or any of its servants, agents, employees, licensees or invitees, or the misuse by Tenant, or any of the aforesaid, of any fixture or part of the demised premises or the Building and shall cause its servants, agents, employees, licensees and invitees to comply with the Rules and Regulations contained in or provided for by this Lease;

2. upon the termination of this Lease, turn over to Landlord all keys; either furnished to, or otherwise procured by, Tenant with respect to any locks used by Tenant in the demised premises or the Building and, in the event of the loss of any such keys, pay to Landlord the cost of procuring same;

3. subject to the provisions of Article 18 hereof, refrain from, and immediately upon receipt of notice thereof, discontinue any violation or breach of the Rules and Regulations contained in or provided for by this Lease;

4. request Landlord to furnish passes to persons whom Tenant desires to have access to the demised premises during times other than Business Hours and be responsible and liable to Landlord for all persons and acts of such persons for whom Tenant requests such passes;

5. furnish artificial light and electrical energy (unless Landlord shall furnish electrical energy as a service included in the rent) at Tenant's expense for the employees of the Landlord or Landlord's contractors while doing janitorial or other cleaning services or while making repairs or Alterations in the demised premises.

6. apply at the office of the Building's manager with respect to all matters and requirements of Tenant which require the attention of Landlord, his agents or any of his employees;

7. pay Landlord reasonable charges for the installation and replacement of ceiling tiles removed for Tenant by telephone installers or others in the demised premises and public corridors, if any;

8. purchase from Landlord or Landlord's designee, at Landlord's option, all lighting tubes, lamps, bulbs and ballasts used in the demised premises and shall pay Landlord, or Landlord's designee, as the case may be, reasonable charges for the purchase and installation hereof; and

9. pay Landlord reasonable charges for the hiring or providing of security guards during times when Tenant, or any subtenant of Tenant, is moving into or out of portions of the demised premises or when significant quantities of furniture or other materials are being brought into or removed from the demised premises.

III. Landlord shall:

1. have the right to inspect all freight objects or bulky matter (except printed matter) brought into the Building and to exclude from the Building all objects and matter which violate any of the Rules and Regulations contained in or provided for by this Lease;

2. have the right to require any person leaving the demised premises with any package, or other object or matter, to submit a pass, listing such package or object or matter, from Tenant;

3. in no way be liable to Tenant or any other party for damages or loss arising from the admission, exclusion or rejection of any person or any property to or from the demised premises or the Building under the provisions of the Rules and Regulations contained in or provided for by this Lease;

4. have no liability or responsibility for the protection of any of Tenant's property as a result of damage or the unauthorized removal of any such property resulting wholly or in part from Landlord's failure to enforce, in any particular instance, or generally, any of Landlord's rights.

5. have the right to require all persons entering or leaving the Building, during hours other than Business Hours, to sign a register and may also exclude from the Building, during such hours, all persons who do not present a pass to the Building signed by Landlord;

6. furnish passes to persons for whom Tenant requests same;

7. have the right to control and operate the public portions of the Building and the public facilities, as well as facilities furnished for the common use of other occupants, of the Building; and

8. have the right to remove any violation of Paragraph I items 2, 3, 4, 5, 6 or 7 of these Rules and Regulations without any right of Tenant to claim any liability against Landlord, and have the right to impose a reasonable charge against Tenant for removing any such violation or repairing any damages resulting therefrom.

EXHIBIT D

FORM OF SECURITY LETTER

[Form of Security Letter attached]

GENTLEMEN:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____ IN FAVOR OF _____ (THE "LANDLORD") FOR AN AGGREGATE AMOUNT NOT TO EXCEED U.S. DOLLARS _____. THIS LETTER OF CREDIT IS AVAILABLE WITH _____, NEW YORK AGAINST PRESENTATION OF YOUR DRAFT AT SIGHT DRAWN ON _____, NEW YORK WHEN ACCOMPANIED BY THE DOCUMENTS INDICATED HEREIN.

BENEFICIARY'S DATED STATEMENT PURPORTEDLY SIGNED BY ONE OF ITS OFFICIALS OR AN OFFICIAL OF ITS AGENT READING AS FOLLOWS: "THE AMOUNT OF THIS DRAWING USD _____ UNDER _____ LETTER OF CREDIT NUMBER _____ REPRESENTS FUNDS DUE US IF AN EVENT OF DEFAULT HAS OCCURRED UNDER ONE OR MORE TERMS OF THAT CERTAIN LEASE AGREEMENT DATED _____, 2000 BY AND BETWEEN _____, AS LANDLORD AND _____, AS TENANT.

PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED. WE FURTHER UNDERTAKE THAT ANY DRAFT(S) PRESENTED UNDER THIS LETTER OF CREDIT SHALL BE PAID NOT WITHSTANDING ANY CLAIM BY ANY PERSON THAT THE SUM DEMANDED IS NOT DUE OR FOR ANY OTHER REASON THAT SAID DRAFT(S) IS NOT TO BE HONORED.

- - CONTINUED - -

THIS LETTER OF CREDIT EXPIRES AT OUR COUNTERS IN NEW YORK WITH OUR CLOSE OF BUSINESS ON _____.

IT IS A CONDITION OF THIS IRREVOCABLE LETTER OF CREDIT THAT IT SHALL BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR AN ADDITIONAL PERIOD OF ONE YEAR FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE, UNLESS AT LEAST 45 DAYS PRIOR TO SUCH DATE WE SEND YOU NOTICE IN WRITING BY REGISTERED MAIL, OR HAND DELIVERY AT THE ABOVE ADDRESS, THAT WE ELECT NOT TO RENEW THIS LETTER OF CREDIT FOR SUCH ADDITIONAL PERIOD. HOWEVER IN NO EVENT SHALL THIS LETTER OF CREDIT BE EXTENDED BEYOND THE FINAL EXPIRY DATE OF _____. UPON SUCH NOTICE TO YOU, YOU MAY DRAW DRAFTS ON US AT SIGHT FOR AN AMOUNT NOT TO EXCEED THE BALANCE REMAINING IN THIS LETTER OF CREDIT WITHIN THE THEN APPLICABLE EXPIRY DATE, ACCOMPANIED BY YOUR DATED STATEMENT PURPORTEDLY SIGNED BY ONE OF YOUR OFFICIALS READING: "THE AMOUNT OF THIS DRAWING USD _____ UNDER _____ LETTER OF CREDIT NUMBER _____ REPRESENTS FUNDS DUE US AS WE HAVE RECEIVED NOTICE FROM _____ OF THEIR DECISION NOT TO EXTEND LETTER OF CREDIT NUMBER _____ FOR AN ADDITIONAL YEAR, AND THE LEASE IS STILL OUTSTANDING."

THIS LETTER OF CREDIT IS TRANSFERABLE IN ITS ENTIRETY (BUT NOT IN PART) TO A SUCCESSOR LANDLORD AND _____ ONLY IS AUTHORIZED, TO ACT AS THE TRANSFERRING BANK.

- - CONTINUED - -

WE SHALL NOT RECOGNIZE ANY TRANSFER OF THIS LETTER OF CREDIT UNTIL THIS ORIGINAL LETTER OF CREDIT TOGETHER WITH ANY AMENDMENTS AND A SIGNED AND COMPLETED TRANSFER FORM AS PER EXHIBIT A ATTACHED HERETO IS RECEIVED BY US.

ALL TRANSFER FEES ARE FOR THE ACCOUNT OF THE APPLICANT.

THE CORRECTNESS OF THE SIGNATURE AND TITLE OF THE PERSON SIGNING THE TRANSFER FORMS MUST BE VERIFIED BY YOUR BANK.

IN CASE OF ANY TRANSFER UNDER THIS LETTER OF CREDIT, THE DRAFT AND ANY REQUIRED STATEMENT MUST BE EXECUTED BY THE TRANSFEREE.

THIS LETTER OF CREDIT MAY NOT BE TRANSFERRED TO ANY PERSON WITH WHICH U.S. PERSONS ARE PROHIBITED FROM DOING BUSINESS UNDER U.S. FOREIGN ASSETS CONTROL REGULATIONS OR OTHER APPLICABLE U.S. LAWS AND REGULATIONS.

ALL CORRESPONDENCE AND ANY DRAWINGS PRESENTED IN CONNECTION WITH THIS LETTER OF CREDIT ARE TO BE DIRECTED TO OUR OFFICE AT _____.
CUSTOMER INQUIRY NUMBERS ARE _____ AND _____. WE HEREBY
ISSUE THIS STANDBY LETTER OF CREDIT IN YOUR FAVOR. IT IS SUBJECT TO THE UNIFORM

- - CONTINUED - -

CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS, 1993 REVISION, ICC PUBLICATION
NUMBER _____ AND THE DATE OF OUR CREDIT AND THE NAME OF OUR BANK MUST BE
QUOTED ON ALL DRAFTS REQUIRED.

EXHIBIT "A"

NEW YORK, NEW YORK _____, 20__

ADDRESS
ADDRESS
ADDRESS

RE: LETTER OF CREDIT NO. _____
ISSUED BY: _____

GENTLEMEN:

FOR VALUE RECEIVED, THE UNDERSIGNED BENEFICIARY HEREBY IRREVOCABLY
TRANSFER TO:

(NAME OF TRANSFEREE)
(ADDRESS)

ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY TO DRAW UNDER THE ABOVE LETTER OF
CREDIT IN ITS ENTIRETY.

BY THIS TRANSFER, ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY IN SUCH
LETTER OF CREDIT ARE TRANSFERRED TO THE TRANSFEREE AND THE TRANSFEREE SHALL HAVE
THE SOLE RIGHTS AS BENEFICIARY THEREOF, INCLUDING SOLE RIGHTS RELATING TO ANY
AMENDMENTS WHETHER INCREASES OR EXTENSIONS OR OTHER AMENDMENTS AND WHETHER NOW
EXISTING OR HEREAFTER MADE. ALL AMENDMENTS ARE TO BE ADVISED DIRECT TO THE
TRANSFEREE WITHOUT NECESSITY OF ANY CONSENT OF OR NOTICE TO THE UNDERSIGNED
BENEFICIARY.

THE ADVICE OF SUCH LETTER OF CREDIT IS RETURNED HERewith, AND WE ASK
YOU TO ENDORSE THE TRANSFER ON THE REVERSE HEREOF, AND FORWARD IT DIRECT TO THE
TRANSFEREE WITH YOUR CUSTOMARY NOTICE OF TRANSFER.

YOUR VERY TRULY,

SIGNATURE OF BENEFICIARY

SIGNATURE GUARANTEED AND IS IN CONFORMITY TO THAT ON FILE WITH US AS TO SIGNER'S
AUTHORIZATION FOR THE EXECUTION OF THESE INSTRUMENTS.

BANK: _____

BY: _____

TITLE:

THIS FORM MUST BE EXECUTED IN DUPLICATE

EXHIBIT E
FIRST OFFERING SPACE

[Attached]

EXHIBIT F

ALTERATION RULES AND REGULATIONS

Tenant Alteration Procedure

Although you may be now comfortably in possession of your space at 500/512 7/th/ Avenue, you may require alterations, be they small or large, to your existing space. We have had numerous inquiries from Tenants seeking to have alterations made. To ensure the most satisfactory result, the Landlord is always ready to assist you and we suggest that you conform to the following procedure:

Any alteration or renovation work should take place only after completion of the original construction of your premises to avoid confusion and complications. You must consult your lease to determine the procedures for obtaining Landlord's approval to the renovation and for other relevant information (e.g. insurance requirements).

Alterations

- a. All inquiries for alteration or renovation work should be addressed to the Building Manager, with copies to Newmark & Company Real Estate, Inc., 125 Park Avenue, New York, New York 10017, Attention: Alan Starkman (212) 372-2272.
- b. If your own architects or designers will be preparing the plans for you, the outline of your alteration requirement, along with related plans (two Sepias and six prints) as well as all related plans and specifications should be forwarded to the Property Manager. In the event you do not have an architect or designer in mind, the Property Manager will be happy to suggest a number of unaffiliated architects who will be pleased to perform design services.
- c. The Building Manager, after receiving plans from the architects, will secure a fee proposal from the Building's engineers for review and/or preparation of any mechanical, electrical, sprinkler, plumbing, structural plans or working drawings which must be undertaken in accordance with the terms of your Lease, or due to the nature of the work. Upon your approval and payment of such fees, your architectural plans will be forwarded to the Building's engineers for their review and/or working drawing preparation.
- d. If you desire, your architectural drawings will also be forwarded to one of the Building's construction companies for pricing of the work. Though you are, of course, under no obligation to have this work performed by the Building's construction companies, the volume of work which they perform in the Building should allow for expedited and efficient pricing and handling of the work, coordination with the Building systems, as well as processing of all required filings and permits. These will all have to be negotiated and secured by the Tenant in the event a contractor other than the Building's construction company is used.

- e. After the work has been priced and drawings prepared and/or approved by the engineers, and if you desire to employ one of the Building's contractors, the Building Manager is available to prepare a detailed estimate of the cost of such work and all related fees and expenses, which will be forwarded to you for approval. If you approve the cost of the proposed work, a signed Tenant Work Authorization form (see sample on following page) should be returned along with any required payment. For work valued up to \$10,000.00, 100% of the cost of the work must be paid prior to the start of construction. For work having a value in excess of \$10,000.00, the greater of \$10,000 or 50% of the cost of the work will be required to be paid prior to the start of construction and the balance when the work is completed or in accordance with lease provisions.
- f. If a contractor other than the Building's construction company is used, all costs and expenses must be paid directly by the Tenant in accordance with the Lease and the general conditions attached hereto. In these cases, the engineers' comments and/or drawings will be forwarded to you with any required revisions, and all Landlord fees and costs relating to your alteration will be invoiced separately in accordance with the terms of your Lease. Please review your Lease for information on securing Landlord's consent to contractors who perform work in the Building as well as a requirement to post a letter of credit prior to commencement of any work.
- g. If the Building's construction company is performing the work, then upon receipt of the signed Tenant Work Authorization Form and required payment, BUILDER GROUP Tenant Services will instruct the contractor to proceed with the work, and will coordinate and supervise its completion. Your signature on the Tenant Work Authorization Form acknowledges acceptance of the cost of the work and conditions set out in the attachment to this manual.

If you have any questions concerning the procedures outlined above, please feel free to call the Building Manager who will be pleased to help you.

After Hours Vendor/Contractor Work Procedures

Whenever work (painting, electrical work, plumbing, etc.) is to be performed in your space outside of the Building hours (8:00 a.m. to 6:00 p.m. Monday through Friday), it is important that the Building Manager be notified in writing at least five (5) working days in advance. He will then arrange for someone on the staff to remain on the premises for the duration of the job. Therefore, if any type of problem arises, someone will be immediately available. You will be billed in accordance with standard Tenant charges outlined on page 20.

A Certificate of Insurance issued to 500-512 SEVENTH AVENUE LIMITED PARTNERSHIP naming Newmark & Company Real Estate, Inc. as the additional Insured must be provided at least one day in advance of any construction. A copy of the Certificate of Insurance may be faxed to the Property Manager's Office at (212) 372-2412 while we await the original.

Tenant Work Authorization

Date: _____

Tenant: _____

Floor: _____

Cost: _____

Estimated Start Date: _____

Brief Description of Work & Location: _____

Authorized Tenant Signature: _____

Title: _____

General Conditions for Tenant Alterations

- 1) All work will be carried out at the Tenant's complete expense and in strict accordance with the provisions of the Lease relating to alterations, including and without limitation, the provisions concerning liens, encumbrances and insurance. The Tenant shall keep the Building and the demised premises free and clear of all liens for any work or material claimed to have been furnished to the Tenant or to the demised premises on the Tenant's behalf.
- 2) All materials, as well as methods and processes used in the performance of the work, shall conform to the standards of the Building, and the contractor must be entirely familiar with such requirements or familiarize himself therewith. With respect to any structural, mechanical, electrical, or plumbing work, contractors currently acting for the Landlord with respect to such systems Building-wide may only be utilized by the Tenant.
- 3) All work must be done in compliance with all requirements of law, including but not limited to, those imposed by the New York City Building Department, the New York City Fire Department and O.S.H.A. Among the legal requirements most frequently applicable are (a) New York City Law #5/1973 (including compartmentation requirements); (b) New York City Law #86/1979 to the extent such compliance is required on the floor(s) of which the demised premises is a part, including, but not limited to replacement of system components removed or damaged in the smoke detection devices and additional equipment as are required by law; (c) Local Law #16/1984; (d) Local Law #41/1981; (e) Local Law #58/1988; and (f) The Americans with Disabilities Act, if applicable. Section C26-504.1 of the City of New York Administrative Code concerning compartmentation must be complied with in the portion of the Building being altered. Compliance with all legal requirements must be documented to the Landlord both prior to commencement of the work and at the completion thereof.
- 4) The Tenant must comply, at its expense, with all changes and requirements that may be recommended by the Landlord's engineering consultant for such additional work required to be performed to the Landlord's fire communication and smoke detection system both inside and outside of the demised premises because of the Tenant's obligation under applicable law to connect to the Landlord's system. The Landlord's consultant may review and file all plans at the Tenant's cost if such filing is not otherwise arranged to the Landlord's satisfaction. Any work relating to the fire communications or smoke detection systems must be performed by the Landlord at Tenant's expense to maintain such systems.
- 5) All work must be performed in a safe and lawful manner, using union affiliated contractors employing only union personnel approved by the Landlord and complying with applicable laws, and all requirements and regulations of municipal and other governmental or duly constituted bodies exercising authority, and this compliance shall include the filing of plans and other documents, licenses or permits as are required prior to commencement of any work. The Tenant shall submit the following certificates and as-built Drawings to the Managing Agent upon completion of the work:
 - a) Certificates of Completion issued by the Department of Buildings.

- b) Electrical certificates issued by the Department of Water Supply, Gas and Electricity and the Board of Fire Underwriters.
 - c) As-built architectural, mechanical, electrical, sprinkler and plumbing drawings.
 - d) As-built communication and data drawings along with accompanying manuals.
- 6) The Tenant must agree not to use the voluntary request for full Building Department approval of plans and applications a allowed under Building Department Directive #14 of 1975 and will employ competent professional engineers or architects approved by the Landlord and proficient with the Building Code.
- 7) The Landlord will have no responsibility for, or connection with, the work, and the Tenant will remedy at Tenant's expense, and be responsible for any and all defects in such work, that may appear during or after the completion thereof, whether the same shall affect sole premises or any part of the Building in general.
- 8) The Landlord or its agents shall not be responsible for any disturbances or deficiencies created in the air-conditioning or other mechanical, electrical or structural facilities within the Building as a result of the alteration. If such disturbances or deficiencies result, it shall be the Tenant's sole responsibility to correct the resulting conditions and to restore the services to the complete satisfaction of the Landlord, its architect and engineers. The foregoing shall include, but not be limited to, openings and/or damage to the demised premises, and/or the Building, caused by the Telephone Company while making its installations, which the Tenant agrees shall be repaired at the Tenant's expense to the Landlord's satisfaction.
- 9) If the performance of this work shall require that traditional services or facilities (including, without limitation, extra elevator and cleaning services) be provided, the Tenant shall pay the Landlord any standard charge thereof.
- 10) Any contractor employed by the Tenant shall agree to employ only such labor as will not result in jurisdictional disputes or strikes or cause disharmony with other workers employed at the Building. The Tenant will inform the Landlord in writing of the names or any contractor or subcontractors the Tenant proposes to use in the demised premises at least ten (10) days prior to the beginning of work by such contractor or subcontractors.
- 11) a) The Tenant's contractor(s) shall comply with the rules of the Building as to the hours or availability of the Building elevators and the manner of handling materials, equipment and debris to avoid conflict and interference with Building operation or damage to the Building or its equipment.
- b) The Tenant's contractor(s) shall make available fire extinguishers based on the following:
- Alterations up to 3,000 sq. ft. - one (1) fire extinguisher
 - Alterations over 3,000 sq. ft. - one (1) fire extinguisher for every additional 2,000 sq. ft. thereover.

Said fire extinguisher shall be the 25 lb. Type approved for type A, B, and C fires and shall be kept and maintained on the premises by the Tenant's contractor for the duration of the alteration.

c) Demolition must be performed after 6:00 p.m., or on weekends. The delivery of materials, equipment and debris must be performed only at times and in manners approved by the Landlord to avoid any inconvenience and annoyance to other Tenant's. Cleaning must be controlled to prevent dirt and dust from infiltrating into adjacent Tenant or mechanical areas. The Tenant's construction company is also responsible for the complete protection of the areas not under construction, i.e., carpeting, freight car, ceilings and walls.

d) The Tenant shall be required to pay for the use of service elevators out of business hours at the Building's standard rate.

12) The Landlord expressly reserves the right to revoke consent to the work upon notice to the Tenant in the event of the breach of any of the terms or conditions hereof. The Landlord shall have the right, but not the obligation, to inspect any work at any time.

13) Nothing herein contained shall be construed as (a) constituting the Tenant as the Landlord's agent (i.e. the Tenant shall do the work herein described as principal), or (b) a waiver by the Landlord of any of the terms or provisions of the Lease, the Landlord's consent and approval as aforesaid being made subject thereto.

14) Any consent to the work shall be subject and subordinate to, and the Tenant agrees to comply with, such rules and regulations that might be established from time to time by the Building Manager during construction.

15) Any costs incurred by the Landlord pursuant to any alteration shall be payable by the Tenant as additional rent, as and when billed.

EXHIBIT G

LIST OF APPROVED CONTRACTORS

[Attached]

IMPERIAL BANK TOWER

LEASE

Between

ONE TOWN CENTER ASSOCIATES,

a partnership

and

RESOURCES CONNECTION LLC,

a Delaware limited liability company

LEASE

THIS LEASE (the "Lease") is made as of the 1st day of January, 2001, between ONE TOWN CENTER ASSOCIATES, a California general partnership (hereinafter called "Landlord"), and RESOURCES CONNECTION LLC, a Delaware limited liability company (hereinafter called "Tenant").

LEASE OF PREMISES

Landlord hereby leases to Tenant and Tenant hereby hires from Landlord, subject to all of the terms and conditions hereinafter set forth, those certain premises (hereinafter called the "Premises") shown in the floor plan(s) attached hereto as Exhibit "A-1" and located or to be located on the floor(s) and in the suite(s) of that certain office structure to be known as "Imperial Bank Tower," as constructed or to be constructed on certain land situated in the City of Costa Mesa, County of Orange, State of California, and as more particularly identified in Item 1 of the Basic Lease Provisions. Such land is or will be improved with the Imperial Bank Tower and certain "common facilities" described in Paragraph 32. The Imperial Bank Tower space and common facilities are referred to collectively herein as "the Building" and are depicted on Exhibit "A-2." The following Basic Lease provisions are an integral part of this Lease. In the event of any conflict between any Basic Lease Provision and any provision of this Lease, the Lease provision shall control.

BASIC LEASE PROVISIONS

- 1. Building Name: Imperial Bank Tower Floor: 6th
Address: 695 Town Center Drive Suite: 600
Costa Mesa, CA 92626
- 2. Rentable Area: 16,366 square feet (See Exhibit "A-3")
- 3. Expense Percentage: 5.5008%
- 4. Initial Basic Annual Rent: \$409,150.00 (\$25.00 per square foot)
subject to the provisions of Paragraph 2 below.
- 5. Initial Monthly Basic Rent Installments: \$34,095.83 (Approximately
\$2.08 per square foot)
subject to the provisions of Paragraph 2 below
- 6. Basic Annual Rent Increase: None
- 7. Term: Approximately 6 years and 6 months with no right to renew
terminating on June 30, 2007.
- 8. Commencement Date: January 1, 2001, subject to the terms of
Paragraph 1 below.
- 9. Security Deposit: \$55,793.13; payable upon lease execution by Tenant
- 10. Broker(s): None
- 11. Permitted Use: General office use and uses ancillary thereto and any
other legally permitted uses consistent with the
character of the Building and the uses permitted by
Landlord by other occupants of comparable space in the
Building, provided such other usage will not cause
Landlord to violate an exclusive granted to any other
tenant of the Building.
- 12. Space Plan Approval Date: Not applicable

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13. Addresses for Notices:

If to Landlord:

ONE TOWN CENTER ASSOCIATES
3315 Fairview Road
Costa Mesa, California 92626
Attn: Imperial Bank Tower Controller

and

ONE TOWN CENTER ASSOCIATES
695 Town Center Drive
Suite 600
Costa Mesa, California 92626
Attn: Property Manager

If to Tenant:

RESOURCES CONNECTION LLC
695 Town Center Drive, Suite 600
Costa Mesa, California 92626
Attn: Steve Giusto

14. All payments payable under this Lease shall be sent to Landlord at the first address specified in Item 13 above or such other address as Landlord may designate.

IN WITNESS WHEREOF, the parties hereto have executed this Lease, consisting of the foregoing provisions and Paragraphs 1 through 48.9 which follow, together with Exhibits "A-1" through "A-4" and "B" through "G" incorporated herein by this reference, as of the date first above written.

ONE TOWN CENTER ASSOCIATES,
a California general partnership

RESOURCES CONNECTION LLC,
a Delaware limited liability company

By: _____
Managing Partner

By: _____

By: _____
Managing Partner

Title: _____

By: _____

Title: _____

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- Exhibit "A-1" Floor Plan(s) of Premises
- Exhibit "A-2" Plot Plan of Building
- Exhibit "A-3" Rentable Area
- Exhibit "A-4" Expansion Space
- Exhibit "B" Intentionally Omitted
- Exhibit "C" Rules and Regulations
- Exhibit "D" Tenant's Certificate
- Exhibit "E" Parking Agreement
- Exhibit "F" Sublease

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1. TERM

(a) The term of this Lease shall be as shown in Item 7 of the Basic Lease Provisions and shall commence on the date shown in Item 8 of the Basic Lease Provision. Within thirty (30) days following the date of commencement of the term of this Lease (the "Commencement Date"), Landlord and Tenant shall execute a supplemental agreement, in letter form, setting forth the Commencement Date and the Rentable Area of the Premises as specified in Item 2 of the Basic Lease Provision or as otherwise determined pursuant to Exhibit "A-3". Notwithstanding the foregoing, failure of Tenant to execute such supplemental agreement shall not affect Landlord's determination of the Commencement Date and Rentable Area of the Premises in accordance with the provisions of this Lease. From and after mutual execution and delivery of this Lease, Tenant shall observe and perform all obligations of the tenant pursuant to this Lease except the obligation to pay Basic Annual Rent and Additional Rent. From and after the Commencement Date, Tenant shall observe and perform all obligations of the tenant pursuant to this Lease, including those requiring the payment of Basic Annual Rent and Additional Rent.

(b) The Commencement Date shown in Item 8 of the Basic Lease Provisions is an estimated date by which Landlord will deliver the Premises to Tenant. It is understood and agreed that Tenant currently occupies the Premises pursuant to a sublease dated March 1, 2000 (the "Sublease") with Enterprise Profit Solutions Corporation (the "Current Tenant") as the Sublandlord. This Lease is contingent upon Landlord securing a written Lease Termination Agreement with the Current Tenant to terminate its lease with Landlord (the "EPS Lease") in form and substance satisfactory to Landlord in its sole and absolute discretion. It is the intent of the parties that the termination date for the EPS Lease shall be the date prior to the Commencement Date for this Lease so that Tenant is not exposed to double rent payments. If the termination date of the EPS Lease is a date other than December 31, 2000, the Commencement Date of this Lease shall be modified to be the day following the date of such termination. Landlord will notify Tenant when such agreement, if any, is secured by Landlord. Upon termination of the EPS Lease, the Sublease shall also be terminated. If Landlord is unable to tender possession of the Premises on that date, this Lease shall not be void or voidable, nor shall Landlord be liable for any loss or damage resulting therefrom, except to the extent caused by Landlord's gross negligence or willful misconduct.

2. BASIC ANNUAL RENT

Tenant shall pay as Basic Annual Rent for the Premises the initial sum shown in Item 4 of the Basic Lease Provisions, subject to adjustment as set forth in Item 6 of the Basic Lease Provisions. The foregoing notwithstanding, beginning upon the Commencement Date and continuing through June 30, 2002, Tenant's obligation for the payment of Basic Annual Rent and Additional Rent shall be the same as provided in the Sublease in lieu of the Basic Annual Rent and Additional Rent stated in this Lease. The Sublease is attached hereto as Exhibit "F". Beginning on July 1, 2002, the Basic Annual Rent and Additional Rent specified herein shall be applicable as between Landlord and Tenant. The Basic Annual Rent shall be payable in advance in equal monthly installments as shown in Item 5 of the Basic Lease Provisions without deduction or offset, commencing on the Commencement Date and continuing on the first day of each calendar month thereafter. In the event the term of this Lease commences or ends on a day other than the first or last day of a calendar month, then the Basic Annual Rent for such partial month shall be prorated in the proportion that the number of days this Lease is in effect during such partial month bears to the number of days in that calendar month, and such Basic Annual Rent shall be paid at the commencement of such partial month. The first monthly installment of Basic Annual Rent and Additional Rent payable by Tenant pursuant to this Lease shall be paid to Landlord concurrently with Tenant's execution and delivery of this Lease to Landlord.

3. ADDITIONAL RENT

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(a) Subject to the provisions of Paragraph 2 above, Tenant agrees to pay as Additional Rent for the Premises Tenant's proportionate share of all "Operating Expenses" (as hereinafter defined) incurred by Landlord in the operation of the Building. Tenant's proportionate share thereof (hereinafter "Expense Percentage") shall be the percentage obtained by dividing the average Rentable Area of the Premises for such year or portion thereof by ninety-five percent (95%) of the total Rentable Area of the Building excluding the ground floor ancillary retail areas (ground floor tenant spaces which do not connect to the Building lobby), for the same period, and shall be as set forth in Item 3.A. of the Basic Lease Provisions.

(b) Prior to commencement of each calendar year, Landlord shall give Tenant a written estimate of Operating Expenses and Tenant's Expense Percentage thereof for the ensuing year or portion thereof for which Tenant is responsible. Tenant shall pay such estimated amount to Landlord in equal monthly installments, in advance. Within ninety (90) days after the end of each calendar year, Landlord shall furnish to Tenant a statement ("Statement"), reasonably itemized pursuant to Landlord's usual form, showing in reasonable detail (i) the amount of the actual Operating Expenses for such period in accordance with subparagraph (d) below, (ii) any amount paid by Tenant toward its Expense Percentage during such calendar year on an estimated basis and (iii) any revised estimate of Tenant's obligations for its Expense Percentage for the current calendar year. The parties shall make any payment or allowance necessary to adjust Tenant's estimated payment to Tenant's Expense Percentage share as shown by such annual Statement. Any amount due from Tenant shall be paid within thirty (30) days after receipt of such Statement. Any amount due to Tenant shall be credited against installments of Rent (as defined in subparagraph 3(g) below) next coming due under this Paragraph 3 or, at Tenant's election or if the Term shall have expired and no further Rent shall be due, paid to Tenant within thirty (30) days after Landlord's receipt of Tenant's written notice of such election.

(c) If at any time during any calendar year of the Lease term the amount(s) and/or the rates for any item(s) of Operating Expenses are increased to a rate(s) or amount(s) in excess of the rate(s) or amount(s) used in calculating the estimated Operating Expenses for such calendar year, Tenant's estimated share of such Operating Expenses shall be increased for the month in which such increase becomes effective and for succeeding months by Tenant's Expense Percentage of such increase, as applicable. In the event of such an increase in rate or amount, Landlord shall give Tenant written notice (the "Adjustment Notice") of the amount or estimated amount of increase, the month in which effective, and Tenant's monthly share thereof. Commencing with the first monthly payment of estimated Operating Expenses required to be made by Tenant after receipt of the Adjustment Notice (the "First Adjustment Payment"), Tenant shall pay such increase to Landlord as part of Tenant's monthly payments of estimated Operating Expenses as provided in subparagraph (b) above. If the effective date of the increase is prior in time to the date of the Adjustment Notice, the First Adjustment Payment shall be increased to include the amount of the monthly payments, if any, which would have been made had the Adjustment Notice been received prior to the effective date of the increase.

(d) The term "Operating Expenses" as used herein shall, subject to the exclusions set forth in Paragraph 48.2 below, include all costs of operation and maintenance of the Building, as determined by generally accepted accounting practices consistently applied and determined as if the Building were ninety five percent (95%) occupied for an entire calendar year, and shall include the following costs by way of illustration but not limitation: real and personal property taxes and vehicle taxes and fees; general and special assessments; costs and expenses incurred in contesting the amount of validity of any property tax by appropriate proceedings; water and sewer charges; insurance premiums, including the cost of rental insurance; the amount of any deductible payable by Landlord with respect to damage or destruction to all or any portion of the Building; license, permit and inspection fees; heat; light; power; intrabuilding network cable including, without limitation, service contract fees; janitorial and courtesy officer services (if any); fire protection; labor; salaries; air conditioning; gardening and landscaping; maintenance and repair (including repairs pursuant to Paragraph 5); painting; trash removal; depreciation of operational equipment for the Building; supplies;

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materials; equipment; tools; property management costs and fees; all fees, assessments and other amounts paid by Landlord of the type described in Paragraph 41; the cost of any capital improvements made to the Building by Landlord which are reasonably calculated to reduce Operating Expenses and/or are required under any governmental law or regulation not applicable to the Building or not in effect at the time it was constructed, such cost to be amortized over such reasonable period as Landlord shall determine and to include a return on capital at the rate of ten percent (10%) per annum on the unamortized balance or at such higher rate as may have been paid by Landlord on funds borrowed for the purpose of constructing such capital improvements; and the cost of providing a management office at the Building; the cost of providing a manager and support staff to operate such office and the Building. The term "property taxes" as used herein shall include (i) all real estate taxes and personal property taxes and other taxes, charges and assessments, unforeseen as well as foreseen, which are levied with respect to the Building, and any improvements, fixtures and equipment and other property of Landlord, real or personal, located in the Building and used in connection with the operation of the Building and the land upon which situated, (ii) any tax, surcharge or assessment which shall be levied in addition to or in lieu of real estate or personal property taxes, other than taxes covered by Paragraph 12, and (iii) any service or other fees collected by governmental agencies in addition to or in lieu of property taxes for services provided by such agencies. The term "property taxes" as used herein shall also include any rental, excise, sales, transaction privilege, or other tax or levy, however denominated, imposed upon or measured by the rental reserved hereunder or on Landlord's business of leasing the Premises, excepting only net income taxes, franchise, capital stock, succession, transfer, gift, estate or inheritance taxes imposed by the State of California or the United States or by their respective agencies, branches or department.

(e) Notwithstanding anything to the contrary contained in subparagraph (d) immediately above, as to each specific category of expense which one or more tenants of the Building either pays directly to third parties or actually reimburses to Landlord (for example, separately metered utilities, property taxes directly reimbursed to Landlord, etc.) then each such expense which is actually paid or reimbursed shall not be included in "Operating Expenses" for purposes of this Paragraph 3. Tenant's Operating Expense Percentages, as appropriate, for each such category of expense shall be adjusted by excluding from the denominator thereof the Rentable Area of all such tenants paying such category of expense directly to third parties or actually reimbursing same directly to Landlord. Moreover, if Tenant directly pays a third party or actually reimburses Landlord for any such category of expense, each such category of expenses which is paid or actually reimbursed by Tenant shall be excluded from the determination of "Operating Expenses" for Tenant to the extent such expense (after deduction of that portion paid or directly reimbursed by Tenant) was incurred with respect to space in the Building actually leased to other tenants.

(f) The annual determination of Operating Expenses shall be made by Landlord and the fact that such Operating Expenses have in fact been incurred by Landlord shall be certified by a nationally recognized firm of certified public accountants designated by Landlord. A copy of Landlord's determination and such certification shall be made available to Tenant upon request. Landlord's determination and such certification shall be final and binding upon Landlord and Tenant.

(g) The Basic Annual Rent, as adjusted pursuant to Paragraph 2, the Additional Rent and all other amounts required to be paid by Tenant hereunder, are sometimes herein collectively referred to as, and shall constitute, "rent" within the meaning of California Civil Code Section 1951(a), and shall collectively be referred to herein as "Rent."

4. SECURITY DEPOSIT

Tenant has paid or will pay Landlord such sum(s) at such time(s) as are set forth in Item 9 of the Basic Lease Provisions as security for the full and faithful performance of the terms hereof by Tenant. Landlord shall not be required to keep this security deposit separate from its general funds and Tenant shall not be entitled to interest thereon. Each time, if any, Basic Annual Rent increases pursuant to the provisions of this Lease (including increases

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resulting from any expansion of the Premises), within five (5) business days thereafter, Tenant shall pay to Landlord as an additional security deposit an amount equal to one hundred ten percent (110%) of one twelfth (1/12) of the difference between the new Basic Annual Rent and Additional Rent and the Basic Annual Rent and Additional Rent in effect immediately prior to such increase. If Tenant defaults with respect to any provision of this Lease, including but not limited to the provisions relating to the payment of Rent, Landlord may, but shall not be required to, use, apply or retain all or any part of this security deposit for the payment of any Rent of any other sum in default, or for the payment of any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default, including without limitation, costs and attorneys' fees incurred by Landlord to recover possession of the Premises upon a default by Tenant hereunder. If any portion of said deposit is so used or applied, Tenant shall, within five (5) days after receipt of written demand therefor, deposit cash with Landlord in an amount sufficient to restore the security deposit to the amount of such security deposit immediately prior to such application by Landlord and Tenant's failure to do so shall constitute a default hereunder by Tenant. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the security deposit shall be applied against any amounts owed by Tenant to Landlord at the expiration or termination of this Lease and any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within the time specified in Civil Code Section 1950.7.

5. REPAIRS

(a) Subject to Paragraph 5(b), Landlord shall make all necessary repairs to and maintain the structural portions of the Building, including the exterior walls, exterior doors, windows, corridors, foundation, floor/ceiling slabs, roof, curtain wall, exterior glass and mullions, columns, beams, shafts (including elevator shafts), stairs, stairwells, escalators, elevator cabs, plazas, art work, sculptures, washrooms, mechanical, electrical and telephone closets and other common areas and public areas of the Building (collectively, "Building Structure") and Landlord shall keep the Building in a safe, clean and neat condition, and make all necessary repairs to and maintain all equipment used in common with other tenants, such as elevators, plumbing, heating, ventilating and air conditioning ("HVAC"), intrabuilding network cabling and similar equipment (including primary and secondary loops connected to the core), and the mechanical, electrical, life safety, plumbing and sprinkler systems (connected to the core) ("Building Systems"), in first-class condition and repair and shall operate the Building as a first-class office building. Notwithstanding anything in this Lease to the contrary, Tenant shall not be required to make any repair to, modification of, or addition to the Building Structure and/or the Building Systems except and to the extent required because of Tenant's use of the Premises for other than normal and customary business office operations. Except as provided in Paragraphs 14 and 15 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with or interruption of Tenant's business arising from the failure of any such equipment or the making of any repairs, alterations or improvements in or to any portion of the Building or in or to fixtures, appurtenances and equipment therein; provided, however, Landlord shall use commercially reasonable efforts to perform such work in a manner and at such times as will minimize any interference with Tenant's normal and customary business operations. Tenant waives the right to make repairs at Landlord's expense under Section 1942 of the California Civil Code, or under any law, statute or ordinance now or hereafter in effect. Landlord shall have no obligation to repair until a reasonable time after receipt of notice or knowledge of the need for repair. The cost of all such work by Landlord, except to the extent excluded by an exception to Operating Expenses, shall be included in Operating Expenses pursuant to Paragraph 3.

(b) Tenant agrees that it will make all repairs to the Premises and fixtures therein not required above to be made by Landlord and shall do all decorating, remodeling, alteration and painting required by Tenant during the term of this Lease. Tenant will pay for any repairs to the Premises or the Building made necessary by any negligence or carelessness of Tenant or its assignees, subtenants, employees of their respective agents or other persons permitted in the

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Building by Tenant, or any of them, and will maintain the Premises, and will leave the Premises upon termination of this Lease in a safe, clean, neat and sanitary condition.

(c) Tenant's repair and maintenance obligations pursuant to Paragraph 5(b) shall extend to any non-Building standard equipment which is either (a) in place in or to serve solely the Premises upon execution of this Lease or (b) is installed by or for Tenant (whether by Landlord or Tenant) to serve solely the Premises. Such non-standard equipment includes, but is not limited to, any supplemental heating, ventilating and air conditioning equipment (whether or not located in the Premises), water heaters, dishwashers and refrigerators. Moreover, Tenant's insurance and indemnification obligations pursuant to Paragraph 20 shall extend to all such non-standard equipment and to the use and malfunctioning of such equipment. If Landlord undertakes any repair or maintenance obligation of Tenant pursuant to Paragraph 5(b) (such as equipment located outside of but serving only the Premises), the cost of such repair or maintenance shall be reimbursed by Tenant to Landlord, as Additional Rent, within ten (10) days after Tenant's receipt of Landlord's invoice therefor.

6. IMPROVEMENTS AND ALTERATIONS

(a) Landlord shall deliver and Tenant shall accept the Premises in their then current "AS-IS" condition. Landlord shall have no obligation to construct, renovate, change, modify or improve the Premises in any way prior to delivery to Tenant. Tenant shall bear all obligations concerning any modifications to the Premises, all of which shall be conducted in accordance with the provisions of this Lease.

(b) Landlord shall have the right, at any time, and without any liability to Tenant, to change the arrangement and/or location of entrances or passageways, doors and doorways, and corridors, elevators, stairs, toilets, and other public parts of the Building so long as such changes do not have an adverse effect upon Tenant's use and enjoyment of the Premises including, without limitation, access to the Premises, and subject to Paragraph 35, and upon giving Tenant reasonable notice thereof, to change the name, number or designation by which the Building is commonly known.

(c) Tenant, at Tenant's sole cost and expense, upon ten (10) days' notice to Landlord shall have the right to make alterations, additions or improvements upon receipt of the prior written consent of Landlord, which consent will not be withheld, conditioned or delayed unless the making or installation of the alterations, additions, or improvements (i) adversely affects the Building Structure, (ii) adversely affects the Building Systems, (iii) affects the exterior appearance of the Building, (iv) do not comply with Applicable Laws (as defined in Paragraph 8 below), or (v) unreasonably interfere with the normal and customary business operations of the other tenants in the Building (individually and collectively a "Design Problem"). All such alterations, additions and improvements shall be made in conformity with plans therefor approved by Landlord in writing prior to the commencement of such work and shall be performed by a tenant improvements contractor reasonably approved by Landlord. All such alterations, additions and improvements (except movable furniture, furnishings, equipment and trade fixtures) shall become the property of Landlord upon installation. All such alterations, additions or improvements shall, however, be made by Tenant at Tenant's sole expense. Landlord may, as a condition to the installation thereof and if such request is made concurrently with the approval of the plans and specifications therefore, require Tenant to remove any such alterations, additions or improvements at its sole cost and expense, it being agreed and understood that in no event will Tenant have any obligation to remove any such alterations unless, in Landlord's reasonable judgment, they do not qualify as standard office-type tenant improvements and notifies Tenant of such determination at the time Landlord approves Tenant's plans with respect to same. Notwithstanding anything to the contrary set forth herein, Tenant shall not be required to obtain Landlord's prior consent with respect to any strictly cosmetic work performed within the Premises by Tenant, such as the installation of wall coverings or floor coverings. Such alterations, additions, and improvements to the Premises made by or for Tenant following the date on which Tenant first occupies the Premises are collectively called "Alterations." All such Alterations shall be made in conformity with the

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requirements of Paragraph 6 below. Once the Alterations have been completed, such Alterations shall thereafter be included in the designation of Tenant Improvements and shall be treated as Tenant Improvements. Upon termination of the Lease, or, at Landlord's option, within thirty (30) days prior to the expiration of the Lease term, Tenant shall, upon demand by Landlord, at Tenant's sole cost and expense, forthwith remove any alterations, additions or improvements (except those existing as of the Commencement Date of this Lease) made by Tenant and designated by Landlord to be removed concurrently with the approval of the plans and specifications thereof (to the extent the same do not qualify as standard office-type tenant improvements), and repair and restore the Premises to their original condition, reasonable wear and tear excepted. Any personal property left on or in the Premises at the expiration or earlier termination of this Lease shall be disposed of by Landlord in the manner provided by law, including, without limitation, California Civil Code Section 1980 et seq. Tenant releases Landlord of and from any and all claims and

liability for damage to or destruction or loss of property left by Tenant upon the Premises at the expiration or other termination of this Lease and Tenant hereby indemnifies Landlord against any and all claims and liability with respect thereto. Tenant further waives all claims to all property (and the proceeds thereof) abandoned by Tenant and retained or disposed of by Landlord.

(d) Tenant shall not commence work on any alteration, addition or improvement until and unless Landlord has received at least ten (10) days notice that such work is to commence. Tenant shall reimburse Landlord for any actual, reasonable and documented out-of-pocket expense incurred by consultants on behalf of Landlord in reviewing and approving the plans and specifications for such work or by reason of any faulty work done by Tenant or Tenant's contractors or by reason of inadequate cleanup. Tenant or its contractors will in no event be allowed to make any improvements to the Premises which could possibly adversely affect any of the Building Systems or Building Structure without first obtaining Landlord's consent, which Landlord can withhold in its sole and absolute discretion. All work by Tenant shall be scheduled through Landlord and shall be diligently and continuously pursued from the date of its commencement through its completion. In addition to the foregoing, and at Landlord's option, Tenant shall obtain a completion and/or performance bond in a form and by a surety acceptable to Landlord and in an amount not less than one and one-half (1 1/2) times the estimated cost of such alterations, additions or improvements.

(e) All alterations, additions and improvements to the Premises made by Tenant shall comply with both ADA as defined in Paragraph 8 of this Lease and with the plans therefor approved in advance by Landlord; provided, however, Landlord's approval or consent to any such work shall not impose any liability upon Landlord nor shall such approval imply that Landlord has expressed any opinion or made any warranty regarding the adequacy, sufficiency or legality of any such improvements. Such plans and any specifications associated therewith shall be prepared by an architect or interior designer reasonably approved in advance by Landlord. No such work shall proceed without Landlord's prior approval of (i) Tenant's contractor(s); (ii) certificates of insurance from a company or companies approved by Landlord, furnished to Landlord by Tenant's contractor, for combined single limit bodily injury and property damage insurance covering comprehensive general liability and automobile liability, in an amount not less than One Million Dollars (\$1,000,000) per occurrence and endorsed to show Landlord as an additional named insured, and for workers' compensation as required by law (provided, however, nothing in this subparagraph shall release Tenant of its other insurance obligations hereunder) and the normal and customary contingent liability and builders risk insurance; and (iii) detailed plans and specifications for such work. All such work by Tenant shall be done in a first-class workmanlike manner and in conformity with all applicable governmental requirements, with valid building permit(s) and/or all other permits or licenses when and where required, copies of which shall be furnished to Landlord before the work is commenced, and any work not acceptable to any governmental authority or agency having or exercising jurisdiction over such work, or not reasonably satisfactory to Landlord, shall be promptly replaced and corrected at Tenant's expense. All such work shall comply with all rules and regulations reasonably established by Landlord to ensure the safety, cleanliness and good order of the Building and its occupants, including but not limited to those relating to usage of elevators and loading docks, establishment of off-Premises staging areas, disposal of

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refuse and the hours of performing operations which result in the creation of noise, dust and odors. No such alterations, additions or improvements by Tenant shall incorporate therein any Hazardous Materials, as defined in Paragraph 9.

(f) No antenna, satellite dish, microwave receiver or other receiving or transmission equipment shall be installed by Tenant in or on the roof of or about the Building or elsewhere in the common areas except with the prior written consent of Landlord, which consent may be given or withheld by Landlord in its sole and absolute discretion. Any such installation by Tenant shall be only the particular equipment specifically approved by Landlord and any such installation shall be limited to the manner and location approved by Landlord. Any such installation shall be subject to such terms and conditions as are provided by Landlord to Tenant at the time Landlord approves such installation.

7. LIENS

Tenant shall keep the Premises and the Building free from any liens arising out of any work performed, materials furnished, or obligations incurred by or for Tenant. In the event that Tenant shall not, within thirty (30) days following receipt of notice of the imposition of any such lien, cause the same to be released of record by payment or posting of a proper lien release bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of or defense against the claim giving rise to such lien. All reasonable sums paid by Landlord and all reasonable expenses incurred by it in connection therewith shall create automatically an obligation of Tenant to pay an equivalent amount as additional rent, which additional rent shall be payable by Tenant within thirty (30) days after Tenant's receipt of Landlord's demand therefor with interest at the rate per annum determined pursuant to Paragraph 37 from date of payment by Landlord until paid by Tenant. Tenant agrees to indemnify and hold Landlord harmless from and against any and all claims for mechanics', materialmen's or other liens in connection with any alterations, repairs or any work performed, materials furnished or obligations incurred by or for Tenant. Nothing herein shall imply any consent by Landlord to subject Landlord's estate to liability under any mechanics' or other lien law. Tenant shall give Landlord adequate opportunity and Landlord shall have the right to post in or on the Premises such notices of nonresponsibility as are provided for in the mechanics lien laws of the state of California.

8. USE OF PREMISES

Tenant and any of its permitted assignees, sublessees or other occupants (collectively "Tenant Parties") shall use the Premises only for the purpose(s) set forth in Item 11 of the Basic Lease Provisions and shall not use or permit the Premises to be used for any other purpose without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding any specific use of the Premises permitted or prohibited under Item 11 of the Basic Lease Provisions, Tenant or its assignees or sublessees may use the Premises for any other legally permitted uses consistent with the character of the Building and the uses permitted by Landlord by other occupants of comparable space in the Building, provided such other usage will not cause Landlord to violate an exclusive or other right granted to any other tenant of the Building. Without limiting the foregoing, Tenant and the Tenant Parties shall not permit the Premises to be used by a governmental or quasi-governmental entity or agency (it being understood, however, that Landlord may lease to such an entity or agency if Landlord recaptures all or any portion of the Premises pursuant to Paragraph 16 below). Tenant shall not use or occupy the Premises in violation of law or of the certificate of occupancy issued for the Building, and shall, upon fifteen (15) days' written notice from Landlord, discontinue any use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of law or of such certificate of occupancy. Tenant shall comply promptly with any direction of any governmental authority having jurisdiction which shall, by reason of the nature of Tenant's use or occupancy of the Premises, impose any duty upon Tenant or Landlord with respect to the Premises or with respect to the use or occupancy thereof. Tenant shall not do or permit to be done anything

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which will invalidate or increase the cost of any fire, extended coverage or any other insurance policy covering the Building and/or property located therein and shall comply with all rules, orders, regulations and requirements of the Pacific Fire Rating Bureau or any other organization performing a similar function. Notwithstanding Paragraph 3, Tenant shall within thirty (30) days of receipt of an invoice therefor reimburse Landlord, as additional rent, for the full amount of any additional premium charged for such policy by reason of Tenant's failure to comply with the provisions of this Paragraph, together with interest thereon from date of payment by Landlord to date of reimbursement by Tenant at the rate per annum determined pursuant to Paragraph 37, provided Landlord shall have first notified Tenant of any use or event done or permitted by Tenant on the Premises which necessitated the additional insurance premium. Such demand for reimbursement shall not be Landlord's exclusive remedy. Tenant shall not do or permit anything to be done in or about the Premises which will in any way unreasonably obstruct or interfere with the rights of other tenants or occupants of the Building, or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises. Except as provided in Paragraph 20(j) below and in the succeeding sentence, Landlord shall not be liable to Tenant for any other occupant's or tenant's failure to conduct itself in accordance with the provisions of this Paragraph 8, and Tenant shall not be released or excused from the performance of any of its obligations under the Lease in the event of any such failure.

Without limiting any of its other obligations pursuant to this Paragraph 8 or Paragraph 9, Tenant covenants and agrees to comply with all laws, rules, regulations and guidelines now or hereafter applicable to the Premises ("Applicable Laws"), including by way of example and not limitation Applicable Laws concerning physical disabilities, with respect to: (a) the disposal of water, trash, garbage and other matter (liquid or solid) generated by Tenant, the disposal of which is not otherwise the express obligation of Landlord under this Lease, including, but not limited to, laws, rules, regulations and guidelines with respect to recycling and other forms of reclamation (all of which are herein collectively referred to as "Waste Management Requirements") and (b) on and after the date that Tenant takes possession of the Premises, Tenant will comply and cause the Premises to comply with the provisions, regulations and amendments under the Americans with Disabilities Act of 1990, 42 U.S.C. Sec. 12101-12213 (hereafter referred to as "ADA") including but not limited to all employer-employee obligations. Tenant shall comply with all reasonable rules and regulations established by Landlord from time to time to comply with Waste Management Requirements applicable to Landlord (i) as owner of the Premises and (ii) in performing Landlord's obligations under this Lease, if any. Without limiting any of its other obligations pursuant to this Paragraph 8 or Paragraph 9, Landlord covenants and agrees to comply with all Waste Management Requirements now or hereafter applicable to the Building (other than the Premises) and the site upon which the Building is situated ("Site"). Tenant's and Landlord's obligations under this Paragraph 8 shall survive the expiration or termination of this Lease.

Each party shall indemnify, defend, protect and hold the other party harmless from and against all liability (including, without limitation, reasonable costs, expenses and attorneys' fees) that the other party may sustain by reason of the breaching party's breach of its obligations under this Paragraph 8.

9. HAZARDOUS MATERIALS - See Paragraph 48.3

(a) As used in this Lease, the following words or phrases shall have the following meanings:

(i) "Agents" means a party's partners, officers, directors, shareholders, employees, agents, contractors and any other third parties entering the Building at the request or invitation of such party.

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(ii) "Building" for purposes of this Paragraph 9 only, shall mean the Building, the air about the Building and the soil, surface water and ground water under the surface of the Building.

(iii) "H.M. Claims" means claims, liabilities, losses, actions, environmental suits, causes of action, legal or administrative proceedings, damages, fines, penalties, loss of rents to the extent deemed a direct damage, liens, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees and costs of defense, and reasonable consultants', engineers' and other professionals' fees and costs).

(iv) "Hazardous" means: (A) hazardous; (B) toxic; (C) reactive; (D) corrosive; (E) ignitable; (F) carcinogenic; (G) reproductive toxic; (H) any other attribute of a Substance now or in the future referred to in, or regulated by, any Hazardous Materials Laws; and (I) injurious to health, safety or welfare, the environment, the Premises or the Building.

(v) "Hazardous Materials" means any: (A) Substance which is Hazardous, regardless of whether that Substance is Hazardous by itself or in combination with any other Substance; (B) Substance which is regulated by any Hazardous Materials Laws; (C) asbestos and asbestos-containing materials; (D) urea formaldehyde; (E) radioactive substance; (F) flammable explosives; (G) petroleum, including crude oil or any fraction thereof; (H) polychlorinated biphenyls; and (I) "hazardous substances," "hazardous materials" or "hazardous wastes" under any Hazardous Materials Laws.

(vi) "Hazardous Materials Laws" means: (A) any existing or future federal, state or local law, ordinance, regulation or code which protects health, safety or welfare, or the environment; (B) any existing or future administrative or legal decision interpreting any such law, ordinance, regulation or code; and (C) any common law principle which may result in H.M. Claims against Landlord, the Premises or the Building.

(vii) "Permits" means any permit, authorization, license or approval required by any applicable governmental agency.

(viii) "Substance" means any substance, material, product, chemical, waste, contaminant or pollutant.

(ix) "Use" means use, generate, manufacture, produce, store, release and discharge.

(b) (i) Without limiting the generality of Paragraph 8 of this Lease, and except as provided in Paragraphs 9(b)(ii) and 9(b)(iii), each party covenants and agrees that it and its Agents shall not bring into, maintain upon, engage in any activity involving the Use of, or Use in or about the Building, or transport to or from the Building, any Hazardous Materials. Notwithstanding the provisions of Paragraphs 9(b)(ii) or 9(b)(iii), in no event shall either party or its Agents release or dispose of any Hazardous Materials in, on, under or about the Building.

(ii) Notwithstanding the provisions of Paragraph 9(b)(i), if Tenant or its Agents proposes to Use any Hazardous Materials, or to install or operate any equipment which will or may Use Hazardous Materials ("Equipment"), then Tenant shall first obtain Landlord's prior written consent, which consent may be given or withheld by Landlord in its reasonable, good faith judgment, within thirty (30) days of Landlord's receipt of the last of documents or information requested by Landlord as set forth in this Paragraph. Tenant's failure to receive Landlord's consent within such thirty (30) day period shall be conclusively deemed Landlord's withholding of consent. Tenant's request for Landlord's consent shall include the following documents or information: (A) a Hazardous Materials list pursuant to Paragraph 9(c) regarding the Hazardous Materials Tenant proposes to Use and/or Equipment Tenant proposes to install and operate; (B) reasonably satisfactory evidence that Tenant has obtained all necessary Permits to Use those Hazardous Materials and/or to install and operate the proposed Equipment; (C) reasonably satisfactory evidence that Tenant's Use of the Hazardous Materials and/or installation and operation of the Equipment shall comply with all applicable Hazardous

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Materials Laws, Tenant's permitted use under this Lease and all restrictive covenants encumbering the Building as of the date of this Lease; (D) reasonably satisfactory evidence of Tenant's financial capability and responsibility for potential H.M. Claims associated with the Use of the Hazardous Materials and/or installation and operation of the Equipment; and (E) such other documents or information as Landlord may reasonably request. Landlord may, at its option, condition its consent upon any terms that Landlord, in its reasonable, good faith judgment, deems necessary to protect itself, the public and the Building against potential problems, H.M. Claims arising out of Tenant's Use of Hazardous Materials and/or installation and operation of Equipment including, without limitation, (i) changes in the insurance provisions of the Lease, and/or (ii) installation of equipment, fixtures and/or personal property and/or alteration of the Premises (all at Tenant's sole cost) to minimize the likelihood of a violation of Hazardous Materials Laws as a result of Tenant's Use of the Hazardous Materials and/or installation and operation of Equipment. Neither Landlord's consent nor Tenant's obtaining any Permits shall relieve Tenant of any of its obligations pursuant to this Paragraph 9. Landlord's granting of consent to one request to Use Hazardous Materials and/or install and operate Equipment shall not be deemed Landlord's consent to any other such request. If Landlord grants its consent to Tenant's request, no subtenant, assignee or successor of Tenant shall have the right to Use those Hazardous Materials or install or operate that Equipment without again complying with the provisions of this Paragraph 9(b)(ii).

(iii) Notwithstanding the provisions of Paragraphs 9(b)(i) and 9(b)(ii), Tenant may Use any Substance typically found or used in applications of the type permitted by this Lease so long as: (A) any such Substance is typically found only in such quantity as is reasonably necessary for Tenant's permitted use under Paragraph 8 of this Lease; (B) any such Substance and all equipment necessary in connection with the Substance are Used strictly in accordance with the manufacturers' instructions therefor; (C) no such Substance is released or disposed of in or about the Building; (D) any such Substance and all equipment necessary in connection with the Substance are removed from the Building and transported for Use or disposal by Tenant in compliance with any applicable Hazardous Materials Laws upon the expiration or earlier termination of this Lease; and (E) Tenant and its Agents comply with all applicable Hazardous Materials Laws.

(iv) Tenant shall not use or install in or about the Premises any asbestos or asbestos-containing materials.

(c) Tenant shall deliver to Landlord, within thirty (30) days after Tenant's receipt of Landlord's written request, a written list identifying any Hazardous Materials that Tenant or its Agents then Uses or has Used within the last twelve (12) month period in the Building except with respect to de minimis uses permitted under Paragraph 9(b)(iii) above. Each such list shall state: (i) the use or purpose of each such Hazardous Material; (ii) the approximate quantity of each such Hazardous Material Used by Tenant; (iii) such other information as Landlord may reasonably require; and (iv) Tenant's written certification that to its actual knowledge neither Tenant nor its Agents have released, discharged or disposed of any Hazardous Materials in or about the Building, or transported any Hazardous Materials to or from the Building, in violation of any applicable Hazardous Materials Laws. Landlord shall not request Tenant to deliver a Hazardous Materials list more often than once during each twelve (12) month period, unless Landlord reasonably believes that Tenant or its Agents have violated the provisions of this Paragraph 9 (in which case (A) Landlord may request such lists on a monthly basis until such violation is cured, and (B) Tenant shall provide such lists within thirty (30) days of each of Landlord's requests, or if an emergency exists, such lists shall be provided within three (3) business days).

(d) Tenant shall furnish to Landlord copies of all notices, claims, reports, complaints, warnings, asserted violations, documents or other communications received or delivered by Tenant, as soon as possible and in any event within five (5) days of such receipt or delivery, with respect to any actual or alleged Use, disposal or transportation of Hazardous Materials in or about the Premises, or the Building. Whether or not Tenant receives any such notice, claim, report, complaint, warning, asserted violation, document or communication,

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Tenant shall immediately notify Landlord, orally and in writing, if Tenant or any of its Agents knows or has reasonable cause to believe that any Hazardous Materials, or a condition involving or resulting from the same, is present, in Use, has been disposed of, or transported to or from the Premises or the Building other than as previously consented to by Landlord in strict accordance with Paragraph 9(b).

(e) Tenant acknowledges that it, and not Landlord, is in possession and control of the Premises for purposes of all reporting requirements under any Hazardous Materials Laws. If Tenant or its Agents violate any provision of this Paragraph 9, then Tenant shall immediately notify Landlord in writing and shall be obligated, at Tenant's sole cost, to abate, remediate, clean-up and/or remove from the Building, and dispose of, all in compliance with all applicable Hazardous Materials Laws, all Hazardous Materials Used by Tenant or its Agents. Such work shall include, but not be limited to, all testing and investigation required by any governmental authorities having jurisdiction, or otherwise reasonably required by Landlord or Landlord's lender and preparation and implementation of any remedial action plan required by any governmental authorities having jurisdiction. All such work shall, in each instance, be conducted to the satisfaction of all governmental authorities having jurisdiction. If at any time Tenant is not complying with the provisions of this Paragraph 9(e), then Landlord may, upon five (5) business days' notice to Tenant, without prejudicing, limiting, releasing or waiving Landlord's rights under this Paragraph 9, separately undertake such work, and Tenant shall reimburse all actual and reasonable out-of-pocket costs incurred by Landlord within thirty (30) days after receipt of an invoice therefor.

(f) Landlord's right of entry pursuant to Paragraph 17 shall include the right to enter and inspect the Premises and the right to inspect Tenant's books and records relative to Tenant's compliance with this Paragraph 9. Furthermore, subject to Paragraph 17, Landlord may conduct such investigations and tests as Landlord or Landlord's lender or ground lessor may reasonably require. If Landlord determines that Tenant has violated the provisions of this Paragraph 9, or if any applicable governmental agency requires any such inspection, investigation or testing, then Tenant, in addition to its other obligations set forth in this Paragraph 9, shall reimburse Landlord for all actual and reasonable out-of-pocket costs incurred therewith within thirty (30) days after receipt of an invoice therefor.

(g) (i) Tenant shall indemnify, protect, defend (with legal counsel acceptable to Landlord in its subjective, good faith judgment) and hold harmless Landlord, its partners and its and their respective successors, assigns, partners, directors, officers, shareholders, employees, agents, lenders and ground lessors from and against any and all H.M. Claims incurred by such indemnified persons, or any of them, in connection with, or as the result of: (A) the presence, Use or disposal of any Hazardous Materials into or about the Building, or the transportation of any Hazardous Materials to or from the Building, by Tenant or its Agents; (B) any injury to or death of persons or damage to or destruction of property resulting from the presence, Use or disposal of any Hazardous Materials into or about the Building, or the transportation of any Hazardous Materials to or from the Building, by Tenant or its Agents; (C) any violation of any Hazardous Materials Laws by Tenant; and (D) any failure of Tenant or its Agents to observe the provisions of this Paragraph 9. Payment shall not be a condition precedent to enforcement of the foregoing indemnification provision. Tenant's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary testing, investigation, studies, reports, repair, clean-up, detoxification or decontamination of the Building, and the preparation and implementation of any closure, removal, remedial action or other required plans in connection therewith, and shall survive the expiration or earlier termination of the term of this Lease. For purposes of these indemnity provisions, any acts or omissions of Tenant, its assignees, sublessees, Agents or others acting for or on behalf of Tenant (regardless of whether they are negligent, intentional, willful, or unlawful) shall be strictly attributable to Tenant.

(ii) If at any time after the initiation of any suit, action, investigation or other proceeding which could create a right of indemnification under Paragraph 9(g)(i) the indemnified party reasonably determines that the indemnifying party is not complying with the

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provisions of Paragraph 9(g)(i), then the indemnified party may, without prejudicing, limiting, releasing or waiving the right of indemnification provided herein, separately defend or retain separate counsel to represent and control the defense as to the indemnified party's interest in such suit, action, investigation or other proceeding. The indemnifying party shall pay all actual and reasonable out-of-pocket costs of the indemnified party's separate defense or counsel within thirty (30) days of receipt of any invoice thereof.

(h) No termination, cancellation or release agreement entered into by Landlord and Tenant shall release Tenant or Landlord from its obligations under this Paragraph 9 unless specifically agreed to by Landlord and Tenant in writing at the time of such agreement.

(i) Tenant's covenants and obligations under this Paragraph 9 shall also apply to any assignee or sublessee of Tenant, and to any such assignee's or sublessee's partners, officers, directors, shareholders, employees, agents, contractors and any other third parties entering upon the Building at the request or invitation of such assignee or sublessee.

10. UTILITIES AND SERVICES

(a) Landlord agrees to furnish or cause to be furnished to the Premises, the utilities and services described, subject to the conditions and in accordance with the standards set forth below ("Utilities and Services"), it being understood that in the event of a bankruptcy proceeding by Tenant, Landlord's obligation to supply such services and utilities shall be conditioned upon Tenant's payment for same, as administrative rent, on a current basis:

(i) Landlord shall provide automatic elevator facilities Monday through Friday, excepting therefrom all holidays recognized by Landlord, hereinafter collectively referred to as "generally accepted business days," from 8:00 a.m. to 6:00 p.m., and on Saturdays from 8:00 a.m. to 12:00 noon (collectively, "Business Hours"), and have at least one elevator available for use at all other times. Landlord may change, increase or decrease such holidays from time to time provided the holidays otherwise adopted by Landlord are consistent with the holidays recognized by operators of other first-class office buildings located in the vicinity of the Building ("Comparable Buildings").

(ii) During Business Hours (and at other times for a reasonable additional charge to be fixed by Landlord), Landlord shall ventilate the Premises and furnish HVAC when it is required for the comfortable occupancy of the Premises, subject to any requirements or standards relating to, among other things, energy conservation, imposed or established by governmental agencies or cooperative organizations. Landlord shall make available at Tenant's expense after-hours power, including light, and HVAC to each floor of the Building which shall be controlled by a key and metering system, digital control system or other central control system selected by Landlord. Minimum use of after-hours power, heat and air conditioning, the costs thereof and the prior notice required for such services shall be determined from time to time by Landlord and confirmed in writing to Tenant, as the same may change from time to time. Current minimum use of heat and air conditioning is two (2) hours in sequence.

(iii) Landlord shall, pursuant to the terms hereof, make available to the Premises at all times twenty-four (24) hours a day, seven (7) days a week, every day of the year, subject to interruptions beyond Landlord's control, electric current as required by the building standard office lighting (approximately three (3) watts per square foot) and receptacles (approximately one (1) watt per square foot). Subject to the foregoing, at all times Tenant's use of electric current shall never exceed the capacity of the feeders to the Building or the risers or wiring installation. Tenant shall not install or use or permit the installation or use of any computer or electronic data processing equipment other than basic office equipment (as reasonably determined by Landlord) in

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the Premises without the prior written consent of Landlord, which will not be withheld, conditioned or delayed unless a Design Problem is created.

(iv) Landlord shall at all times furnish reasonably necessary amounts of water for kitchen facilities, drinking, cleaning, other plumbing facilities, and lavatory purposes only.

(v) Landlord shall provide janitorial services to the Premises, comparable to those provided in Comparable Buildings, provided the Premises are used exclusively as offices and customary ancillary uses and are kept reasonably in order by Tenant. Landlord shall not be responsible or liable for any act or omission or commission on the part of the persons employed to perform said janitorial services, which shall be performed at Landlord's direction without interference by Tenant or Tenant's employees, agents, contractors, licensees, directors, officers, partners, trustees, visitors or invitees (collectively, "Tenant Parties"). If the Premises are not used exclusively as offices, Tenant or persons approved by Landlord shall keep the Premises clean and in order to the satisfaction of Landlord, but at Tenant's sole expense. No persons other than Tenant and those persons approved by Landlord shall be permitted to enter the Building for the purpose of keeping the Premises clean and in order. Tenant shall pay to Landlord the cost of removal of any of Tenant's refuse and rubbish, to the extent that the same exceeds the refuse and rubbish usually attendant upon the use of the Premises as offices.

(vi) Landlord shall replace, as necessary, the fluorescent tubes in the Building standard lighting fixtures installed by Landlord. Tenant shall replace, as necessary, all bulbs and fluorescent tubes in non-building standard lighting fixtures, if any, installed in the Premises. If Tenant shall fail to make any such replacement within five (5) days after written notice from Landlord, Landlord may make such replacement and charge the cost of labor and materials involved therein to Tenant, as additional rent.

(vii) Landlord shall provide at all times, subject to interruptions due to equipment failure, maintenance and/or repairs, intrabuilding network cabling to permit connection of telephone service from the Minimum Point of Entry as designated by Pacific Bell or other provider to the telephone closet located on the floor of the Building on which the Premises is located.

(b) Landlord may impose a reasonable charge for any utilities and services, including without limitation, air conditioning, electric current and water, required to be provided by Landlord by reason of any use of the Premises at any time other than Business Hours or any use beyond what Landlord agrees to furnish as described above, or special electrical, cooling and ventilating needs created in certain areas by hybrid telephone equipment, computers and other similar equipment or uses. At Landlord's option, separate meters for such utilities and services may be installed for the Premises and Tenant, upon demand therefor, shall immediately pay Landlord for the installation, maintenance and repair of such meters.

(c) Tenant agrees to cooperate fully at all times with Landlord and to abide by all reasonable, non-discriminatory regulations and requirements which Landlord may prescribe for the proper functioning and protection of the above utilities and services. Tenant shall pay any excess costs as described above within thirty (30) days following Tenant's receipt of an invoice for such charges.

(d) Landlord reserves the right in its reasonable discretion to reduce, interrupt or cease service of the Building Systems), for (i) the making of any repairs, additions, alterations or improvements to such Building System until said repairs, additions, alterations or improvements shall have been completed or (ii) any accident, breakage, strikes, lockouts or other labor disturbance or labor dispute of any character, governmental regulation, moratorium or other governmental action, inability by exercise of reasonable diligence to obtain electricity, water or fuel, or by any other cause beyond Landlord's reasonable control. In such event,

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Landlord shall not be liable for, and Tenant shall not be entitled to, any abatement or reduction of rent by reason of Landlord's failure to furnish any of the foregoing. Landlord shall not be in breach of this Lease and shall not be liable in damages (including but not limited to any damages, compensation or claims arising from any interruption or cessation of Tenant's business) or otherwise for failure, stoppage or interruption of any such service, nor shall the same be construed either as an eviction of Tenant, or work an abatement of rent, or relieve Tenant from the operation of any covenant or agreement. Provided, however, Landlord shall give not less than twenty-four (24) hours advanced notice of any such work (except in emergencies, when no notice shall be required) and Landlord shall use commercially reasonable efforts to perform such work at such times and in a manner which will minimize any interference with Tenant's normal and customary business operations. In the event of any failure, stoppage or interruption thereof, however, Landlord shall use reasonable diligence to resume service promptly where it is within Landlord's reasonable control to do so.

(e) Landlord, in its sole and absolute discretion, may elect to contract for the services of individuals that will monitor the systems and operations of the Building. In this connection, Landlord may also elect to station some of these individuals in the lobby of the Building. Such individuals are not security personnel and will not provide protective services to any of the tenants of the Building, including Tenant.

(f) Notwithstanding anything hereinabove to the contrary, Landlord reserves the right from time to time to make reasonable and nondiscriminatory modifications to the above standards for utilities and services.

(g) Tenant shall pay for all telephone service to the Premises and shall contract directly with the providing company for such service, and Landlord shall have no responsibilities thereto.

11. RULES AND REGULATIONS - See Paragraph 48.4

Tenant agrees to abide by all rules and regulations of the Building imposed by Landlord as set forth in Exhibit "C" attached hereto, as the same may be changed from time to time upon reasonable notice to Tenant. Any such change shall be effective upon delivery of a copy thereof to Tenant. These rules and regulations are imposed for the cleanliness, good appearance, proper maintenance, good order and reasonable use of the Premises and the Building, and as may be necessary for the enjoyment of the Building by all tenants and their clients, customers and employees. A breach of the rules and regulations shall not be grounds for termination of this Lease unless Tenant continues to breach the same after ten (10) days' written notice by Landlord; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under Paragraph 26, below, or Section 1161, et seq., of the California

Code of Civil Procedure, as amended. Landlord shall not be liable to Tenant for the failure of any other tenant, its agents or employees, to conform to the rules and regulations.

12. TAXES ON TENANT'S PROPERTY

(a) Tenant shall be liable for and pay ten (10) days before delinquency, all taxes, levies and assessments levied against any personal property or trade fixtures placed by Tenant in or about the Premises, and, when possible, Tenant shall cause such personal property and trade fixtures to be assessed and billed separately from the Building and the Premises. If any such taxes, levies and assessments on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property or if the assessed value of the Building is increased by the inclusion therein of a value placed upon such personal property or trade fixtures of Tenant and if Landlord pays the taxes, levies and assessments based upon such increased assessment, which Landlord shall have the right to do regardless of the validity thereof, but only under proper protest if requested by Tenant, Tenant shall upon demand repay to Landlord, as additional rent, the taxes, levies and assessments so levied against Landlord, or the proportion of such taxes, levies and assessments resulting from such increase in the assessment, together with interest thereon from the date of payment by Landlord to the date of reimbursement by

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Tenant at the rate determined pursuant to Paragraph 37. It is provided, however, that in any such event Tenant shall have the right, in the name of Landlord and with Landlord's full cooperation but without any cost to Landlord, to bring suit in any court of competent jurisdiction to recover the amount of any such taxes, levies and assessments so paid under protest, any amount so recovered to belong to Tenant.

(b) If the tenant improvements in the Premises, whether installed and/or paid for by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, are assessed for real property tax purposes at a valuation higher than the valuation at which tenant improvements conforming to Landlord's "building standard" in other space in the Building are assessed, then the real property taxes and assessments levied against Landlord or the Building by reason of such excess assessed valuation shall be deemed to be taxes levied against personal property of Tenant and shall be governed by the provisions of subparagraph (a) above. If the records of the County Assessor are available and sufficiently detailed to serve as a basis for determining whether said tenant improvements are assessed at a higher valuation than Landlord's "building standard," such records shall be binding on both Landlord and Tenant; otherwise the actual cost of construction shall be the basis for such determination.

13. BUILDING SPACE MANAGEMENT - INTENTIONALLY OMITTED

14. FIRE OR CASUALTY - See Paragraph 48.5

(a) In the event the Premises, or access to them, are wholly or partially destroyed by fire or other casualty covered by the form of fire and extended coverage insurance (except for any applicable deductible) maintained by Landlord, Landlord shall rebuild, repair or restore the Premises and access thereto to substantially the same condition as when the same were furnished to Tenant, excluding any improvements installed by Tenant and any of Tenant's personal property, and this Lease shall continue in full force and effect. Within sixty (60) days of notice to Landlord of such damage or destruction, Landlord shall provide Tenant with notice of its determination whether the damage or destruction can be repaired within twelve (12) months of the damage or destruction. If any such repair is not commenced by Landlord within one hundred eighty (180) days, subject to a Force Majeure Event, after the occurrence of such damage or destruction or is not substantially completed by Landlord within twelve (12) months subject to a Force Majeure Event, after the occurrence of such damage or destruction, then in either such event Tenant may, at its option, upon written notice to Landlord, elect to terminate this Lease as of the date of the occurrence of such damage or destruction. The one hundred eighty (180) day period and twelve (12) month period referred to above may be extended for up to three (3) months each as a result of a Force Majeure Event. In the event, however, that the Building is so damaged or destroyed to the extent of more than one-third (1/3) of its replacement cost, or to any substantial extent by a casualty not so covered (including a release of Hazardous Materials), Landlord may elect by written notice to Tenant given within sixty (60) days after the occurrence of the casualty to terminate this Lease in lieu of so restoring the Premises so long as Landlord makes a decision not to complete such repairs within eighteen (18) months of the occurrence of such damage or destruction, in which event this Lease shall terminate as of the date of the occurrence of the casualty. Landlord shall in no event be obligated to make any repairs or replacement of any items other than those items installed by or at the expense of Landlord or becoming Landlord's upon installation. If the Premises are rendered totally or partially untenable for their intended purpose, rent shall abate during the period of reconstruction in the same proportion to the total rent as the portion of the Premises rendered untenable bears to the entire Premises. Any such rental abatement shall not defeat or diminish Landlord's rights to recover upon any rental interruption insurance maintained by Landlord pursuant to Paragraph 20. In no event shall Tenant be entitled to any compensation or damages for loss of use of the whole or any part of the Premises or for any inconvenience occasioned by any such destruction, rebuilding or restoration of the Premises, the Building or access thereto. Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4) and any present and future laws and case decisions to the same effect.

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(b) Notwithstanding anything to the contrary contained in Paragraph 14(a) above, if the Premises or the Building is wholly or partially damaged or destroyed within the final twelve (12) months of the Term of this Lease (except for damage or destruction to the Building which does not prevent Tenant from conducting business operations from the Premises), either party may, at its option, by giving the other party notice within sixty (60) days after the occurrence of such damage or destruction, elect to terminate the Lease. Furthermore, upon termination of this Lease pursuant to this Paragraph 14(b), Tenant and Landlord hereby agree (except as expressly provided for otherwise in this Lease) to release each other from any and all obligations and liabilities with respect to the Lease except such obligations and liabilities which arise or accrue prior to such termination.

15. EMINENT DOMAIN - See Paragraph 48.5

(a) In case the whole of the Premises, or such part thereof as shall substantially interfere with Tenant's use and occupancy thereof, shall be taken by any lawful power or authority by exercise of the right of eminent domain, or sold to prevent such taking or threat of such taking, either Tenant or Landlord may terminate this Lease effective as of the date of final judgment in such condemnation, or as of the date possession is taken by the condemning authority, whichever is earlier. Except as provided herein and in Paragraph 48.5, Tenant shall not because of such taking assert any claim against Landlord or the taking authority for any compensation because of such taking, and Landlord shall be entitled to receive the entire amount of any award without deduction for any estate or interest of Tenant. In the event the amount of property or the type of estate taken shall not substantially interfere with Tenant's use of the Premises, Landlord shall be entitled to the entire amount of the award without deduction for any estate or interest of Tenant. In such event, Landlord shall promptly proceed to restore the Premises to substantially their condition prior to such partial taking, and a proportionate allowance shall be made to Tenant for the rent corresponding to the time during which, and to the part of the Premises of which, Tenant shall be so deprived on account of such taking and restoration. Any such rental abatement shall not defeat or diminish Landlord's rights to recover upon any rental interruption insurance maintained by Landlord pursuant to Paragraph 20. Nothing contained in this Paragraph 15(a) shall be deemed to give Landlord any interest in, or prevent Tenant from seeking any award against the taking authority for, the taking of personal property and fixtures belonging to Tenant or for relocation or business interruption expenses recoverable from the taking authority or Tenant's unamortized cost of the Tenant Improvements to the extent paid for by Tenant. Landlord may, without any obligation to Tenant, agree to sell and/or convey to any taking authority the Premises, the Building or any portion thereof sought by such taking authority, free from this Lease and the rights of Tenant hereunder, without first requiring that any action or proceeding be instituted or pursued to judgment.

(b) In the event of a temporary taking of the Premises or any part of the Premises and/or of Tenant's rights to the Premises or under this Lease not covered by Paragraph 48.5(a) below, this Lease shall not terminate. Any award made to Landlord by reason of such temporary taking shall belong entirely to Tenant.

(c) This Paragraph 15 shall be Tenant's sole and exclusive remedy in the event of a taking or condemnation. Tenant hereby waives the benefit of California Code of Civil Procedure Section 1265.130. Upon termination of the Lease pursuant to this Paragraph 15, Tenant and Landlord hereby agree (except as expressly provided for otherwise in this Lease) to release each other from any and all obligations and liabilities with respect to the Lease except such obligations and liabilities which arise or accrue prior to such termination.

16. ASSIGNMENT AND SUBLETTING - See Paragraph 48.6

(a) Except as set forth in Paragraph 16(g) or 48.6(b), Tenant shall not, either voluntarily or involuntarily or by operation of law, assign, sublet, mortgage or otherwise encumber all or any portion of its interest in this Lease or in the Premises or permit the Premises to be occupied by anyone other than Tenant or Tenant's employees without obtaining

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the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed and shall be granted to any sublessee or assignee which meets the criteria set forth in subsection (f) below. Any such attempted assignment, subletting, mortgage or other encumbrance without such consent shall be null and void and of no effect.

(b) No assignment, subletting, mortgage or other encumbrance of Tenant's interest in this Lease shall relieve Tenant of its obligation to pay the rent and to perform all of the other obligations to be performed by Tenant hereunder. In this connection, any such assignment, sublease or encumbrance shall expressly provide that it is subject to the terms and provisions of this Lease. Moreover, any subletting by Tenant of any portion of the Premises shall be at a market rental rate and upon market terms and, if Landlord so requests, shall require that the assignee or sublessee remit directly to Landlord, on a monthly basis, all rent due to Tenant by said assignee or sublessee. For this purpose, "market" shall mean a rental rate and terms comparable to the rental rate and terms then being offered by other landlords leasing comparable space in comparable commercial high-rise office buildings that are located within a one (1) mile radius of the Building. In connection with any assignment or subletting, no photographs of the Building may be used, and no rental rates may be published, and no general circulation flyers may be mailed or otherwise distributed. The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any subletting, assignment, mortgage or other encumbrance. Consent to one sublease, assignment, mortgage or other encumbrance shall not be deemed to constitute consent to any subsequent attempted subletting, assignment, mortgage or other encumbrance.

(c) If Tenant desires at any time to assign this Lease or to sublet the Premises or any portion thereof, it shall first notify Landlord of its desire to do so and shall submit in writing to Landlord (i) the name of the proposed subtenant or assignee; (ii) the nature of the proposed subtenant's or assignee's business to be carried on in the Premises together with a detailed description of the proposed subtenant's or assignee's business experience and duration of the current enterprise, (iii) the number of persons per square foot of Rentable Area which are proposed by the subtenant or assignee to occupy the Premises, (iv) the material terms and provisions of the proposed sublease or assignment and the proposed effective date thereof; and (v) such financial information as Landlord may reasonably request concerning the proposed subtenant or assignee. The submission pursuant to clause (iv) shall include a copy of any agreement, escrow instructions or other document which contains or memorializes the terms and provisions of the transaction for which Landlord's consent is required. Similarly, if Tenant desires to mortgage or encumber its interest in this Lease, Tenant shall first supply to Landlord in writing such information as to such transaction as may be reasonably requested by Landlord.

(d) "Sublet" and "sublease" shall include a sublease as to which Tenant is sublessor and any sub-sublease or other sub-subtenancy, irrespective of the number of tenancies and tenancy levels between the ultimate occupant and Landlord, as to which Tenant receives any consideration, as defined in this subparagraph, and Tenant shall require on any sublease which it executes that Tenant receive at least fifty percent (50%) of the profit from all sub-subtenancies, irrespective of the number of levels thereof. The term "consideration" shall mean and include any money, services, property or any other tangible thing of value such as payment of costs, cancellation of indebtedness, discounts, rebates and the like but not "down-time". Any rent or other consideration which is to be passed through to Landlord by Tenant pursuant to this subparagraph shall be paid to Landlord promptly upon receipt by Tenant and shall be paid in cash, irrespective of the form in which received by Tenant from any subtenant or assignee. In the event that any rent or other consideration received by Tenant from a subtenant or assignee is in a form other than cash, Tenant shall pay to Landlord in cash the fair value of such consideration.

(e) If Landlord does not disapprove the proposed subletting or assignment in writing within ten (10) business days after receipt of Tenant's request therefor, Tenant may within ninety (90) days after the expiration of said ten (10) business day period enter into a valid assignment or sublease of the Premises or portion thereof, upon substantially the same

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terms (without material modification) and conditions as set forth in the information furnished by Tenant to Landlord pursuant to subparagraph (c) above. It is provided, however, that any material change in such terms shall be subject to Landlord's consent as provided in this Paragraph.

(f) Landlord shall, within ten (10) business days of receipt of such notice, have the right to approve such proposed assignment, encumbrance or sublease or disapprove such proposed assignment, encumbrance or sublease which refusal shall be on reasonable grounds, it being agreed and understood that it shall be unreasonable for Landlord to refuse its consent to an assignment or sublease to any assignee or sublessee that is (i) comparable in quality to other direct tenants in the Building; (ii) that will use the Premises in a manner generally comparable to use of comparable space in the Building. Notwithstanding the foregoing, Landlord shall be entitled to take into account the following, all of which are agreed by Tenant to be reasonable factors for Landlord's consideration:

(i) The financial strength of the proposed assignee or subtenant, including, but not limited to the adequacy of its working capital to pay all expenses anticipated in connection with any proposed remodeling of the Premises. Landlord may also consider the business experience of the proposed subtenant or assignee and the longevity of the current enterprise, it being understood and agreed that "start-up" ventures and enterprises found by Landlord to lack sufficient maturity may be disapproved by Landlord.

(ii) The proposed use of the Premises by such proposed assignee or subtenant and the compatibility of such proposed use within the quality and nature of the other uses in the Building. The foregoing may include an analysis by Landlord of the number of persons per square foot proposed by the subtenant or assignee to occupy the Premises, it being understood and agreed that Landlord may disapprove a subtenant or assignee which represents an increase in population levels.

(iii) Any violation which the proposed use by such proposed assignee or subtenant would cause of any other rights granted by Landlord to other tenants of the Building.

(iv) Any adverse impact, including a greater intensity of use of the parking, Building mechanical, electrical or plumbing facilities or any other services or facilities of the Building, which may result from the occupancy of the Premises by the proposed subtenant or assignee.

(v) Whether there then exists any default by Tenant pursuant to this Lease beyond the expiration of any applicable notice and grace period.

(vi) Whether the proposed assignee or subtenant an existing tenant of the Building, it being understood and agreed that Landlord will disapprove a subletting or assignment to such an existing tenant if Landlord can reasonably provide such tenant's additional space requirements.

(vii) Whether the proposed assignee or subtenant is a person with whom Landlord is actively negotiating for space in the Building or with whom Landlord has negotiated during the six (6) month period ending with the date Landlord receives notice of such proposed assignment or subletting, it being understood and agreed that Landlord will disapprove a subletting or assignment to such potential direct tenant if Landlord can reasonably provide such potential direct tenant's space requirements.

(viii) Whether the proposed assignee or subtenant is a governmental entity or agency, it being understood and agreed that Landlord will disapprove the proposed subletting or assignment as being inconsistent with the character of the Building.

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Moreover, Landlord shall be entitled to be reasonably satisfied that each and every covenant, condition or obligation imposed upon Tenant by this Lease and each and every right, remedy or benefit afforded Landlord by this Lease is not impaired or diminished by such assignment or subletting. Landlord and Tenant acknowledge that the express standards and provisions set forth in this Lease dealing with assignment and subletting, including those set forth in this subparagraph (f) have been freely negotiated and are reasonable at the date hereof taking into account Tenant's proposed use of the Premises and the nature and quality of the Building. No withholding of consent by Landlord for any reason deemed sufficient by Landlord shall give rise to any claim by any proposed assignee or subtenant or entitle Tenant to terminate this Lease. In this connection, Tenant hereby expressly waives its rights under California Civil Code Section 1995.310(b). Moreover, approval of any assignment of Tenant's interest shall, whether or not expressly so stated, be conditioned upon such assignee assuming in writing all obligations of Tenant hereunder.

(g) Tenant may allow any person or company which is a client or customer of Tenant or which is providing service to Tenant or one of Tenant's clients to occupy certain portions of the Premises without such occupancy being deemed an assignment or subleasing as long as no new demising walls are constructed to accomplish such occupancy and as long as such relationship was not created as a subterfuge to avoid the obligations set forth in this Paragraph 16.

(h) The voluntary or other surrender of this Lease by Tenant or a mutual cancellation hereof shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subleases or subtenancies or shall operate as an assignment to Landlord of such subleases or subtenancies. If Tenant is a corporation which is not required under the Securities Exchange Act of 1934 to file periodic informational reports with the Securities and Exchange Commission, or is an unincorporated association or partnership, the transfer, assignment or hypothecation of any stock or interest in such corporation, association or partnership in the aggregate in excess of twenty-five percent (25%) shall be deemed as assignment within the meaning and provisions of this Paragraph 16. Tenant agrees to reimburse Landlord for Landlord's reasonable costs and attorneys' fees incurred in connection with the processing and documentation of any such requested assignment, subletting, transfer, change of ownership or hypothecation of this Lease or Tenant's interest in and to the Premises. If Tenant is a corporation or partnership, a sale or other transfer of fifty percent (50%) or more of its assets, in one or more transactions, shall be void as to Landlord without Landlord's prior written consent, which may be withheld in Landlord's sole discretion.

(i) Landlord shall be permitted to hire outside contractors to review all assignment and subletting documents and information and Tenant shall reimburse Landlord for the reasonable cost thereof, including reasonable attorneys' fees, on demand. Tenant shall also pay to Landlord, its administrative fee, as established by Landlord from time to time, in connection with Landlord's review and consideration of any such request for Landlord's consent.

17. ACCESS

Landlord reserves and shall at any time and all times upon not less than twenty-four (24) hours advanced notice (except in cases of emergencies or for the provision of regular services required of Landlord under this Lease such as janitorial services, in either such case no notice being required) have the right to enter the Premises to inspect the same, to supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to submit said Premises to prospective purchasers, tenants or actual or prospective lenders, to post notices of non-responsibility, to use and maintain pipes and conduits in and through the Premises, and to alter, improve or repair the Premises or any other portion of the Building, all without being deemed guilty of an eviction of Tenant and without abatement of rent, and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, provided that the business of Tenant shall be interfered with as little as is reasonably practicable. Landlord may enter by means of a master key without liability to Tenant for any damage caused by Landlord entering the Premises,

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except for damage to Tenant's personal property caused by any failure of Landlord to exercise due care. Tenant shall not disturb any notices or other items placed by Landlord in the Premises. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults and safes, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency in order to obtain entry to the Premises. Any lock installed by Tenant shall be of a type and style designated by Landlord concurrently with such installation. Any entry to the Premises obtained by Landlord by any of said means shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or any eviction of Tenant from the Premises or any portion thereof. No provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations except as otherwise expressly agreed to be performed by Landlord.

18. SUBORDINATION; ATTORMENT; ESTOPPEL CERTIFICATES; FINANCIAL STATEMENTS

(a) This Lease and the rights of Tenant hereunder, at Landlord's election, shall be junior, subject, and subordinate to the lien of any ground or underlying lease, mortgage, deed of trust, and other security instrument of any kind now or hereafter covering the Premises or the Building, or any portion of any thereof, and to any and all advances made thereunder, interest thereon or costs incurred pursuant thereto (with respect to mortgages or deeds of trust) and any amendments, modifications, renewals, supplements, consolidations, replacements or extensions thereto. Such priority shall be established without the necessity of the execution and delivery of any further instruments on the part of Tenant to effect such subordination. Notwithstanding the foregoing, Tenant covenants and agrees to (a) execute and deliver upon demand such further instruments evidencing such subordination of this Lease or subordination of such mortgage, deed of trust or ground lease as may be necessary and reasonable and (b) supply such financial information concerning Tenant as may be reasonably requested by any ground lessor or lender, prospective purchaser or Landlord, in connection with such subordination, within thirty (30) days after demand. Notwithstanding subordination by Tenant to any existing or future lienholder, Tenant's right to quiet possession of the Premises shall not be disturbed so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease to be observed and performed by Tenant, unless this Lease is terminated pursuant to specific provisions relating thereto contained herein. Subject to Paragraph 48.9(a), in the event of the foreclosure of any such lien or encumbrance, Tenant shall attorn to the then owner who owns or acquires title to the Building and will recognize such owner as Landlord under this Lease. Subject to Paragraph 48.9(a), Tenant hereby waives any right to terminate this Lease because of any such foreclosure.

(b) Notwithstanding the foregoing, and without the consent of Tenant, the holder of any mortgage or deed of trust or the beneficiary thereunder shall have the right to elect to be subject and subordinate to this Lease, with such subordination to be effective upon such terms and conditions as such holder or beneficiary may direct and which are not inconsistent with the provisions of this Paragraph 18.

(c) Tenant shall at any time and from time to time upon not less than twenty (20) days prior notice by Landlord, execute, acknowledge and deliver to Landlord a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), and the dates to which the Basic Annual Rent, Additional Rent and other charges have been paid in advance, if any, (ii) stating whether or not to the best knowledge of Tenant, Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which Tenant may have knowledge and (iii) acknowledging (if true) the accuracy of such other facts as are reasonably included in such statement by Landlord. Any such statement delivered pursuant to this

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subparagraph may be relied upon by any prospective purchaser of the fee of the Building or any mortgagee, ground lessor or other like encumbrancer thereof or any assignee of any such encumbrancer upon the Building. If Tenant fails to deliver such statement within such time, such failure shall be conclusive upon Tenant that (A) this Lease is in full force and effect, without modification except as may be represented by Landlord, (B) that there are no uncured defaults in Landlord's performance, (C) that not more than one month's Basic Annual Rent has been paid in advance and (D) that any other statements of fact reasonably included by Landlord in the statement are correct.

(d) In addition, and not in lieu of the foregoing, within ten (10) days after the Commencement Date, Tenant shall execute and deliver to Landlord a certificate substantially in the form of Exhibit "D" attached hereto, indicating thereon any exceptions thereto which Tenant claims to exist at that time.

19. SALE BY LANDLORD

In the event of a sale, transfer or conveyance by Landlord of the Building, the same shall operate to release Landlord from any and all liability under this Lease arising from and after the date of such sale, transfer or conveyance. Tenant's right to quiet possession of the Premises shall not be disturbed so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease to be observed and performed by Tenant, unless this Lease is terminated pursuant to specific provisions relating thereto contained herein. If any security deposit has been made by Tenant, Landlord may transfer the balance of such security deposit (after lawful deductions and in accordance with California Civil Code Section 1950.7), after notice to Tenant, to the purchaser, and thereupon Landlord shall be discharged from any further liability with respect thereto.

20. NONLIABILITY AND INDEMNIFICATION OF LANDLORD; INSURANCE

(a) Landlord's Nonliability. Subject to Paragraphs 20(j) and 21 below,

Landlord and its partners, and their respective partners, officers, agents and employees shall not be liable for Tenant's loss of income or extra expense or for any damage to Tenant's property, nor for loss of damage to property by theft or otherwise, nor for any injury or damage which may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees or customers or any other person in or about the Premises caused by or resulting from any peril which may affect the Premises, including without limitation fire, explosion, falling plaster, steam, electricity, gas, water or rain, which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures of the same, whether such damage or injury results from conditions arising upon the Premises or upon other portions of the Building, or from other sources. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant or occupant of the Building or any of their officers, employees, agents, representatives, customers and invitees and Tenant hereby waives any such right it may have against Landlord.

(b) Indemnification. Subject to Paragraphs 20(j) and 21 below, and to

the fullest extent permitted by law, Tenant shall indemnify, hold Landlord harmless from and defend Landlord, its agents and employees against any and all claims, losses, costs, damages, expenses or liabilities, including without limitation reasonable attorney's fees and costs of defense (collectively, "Claims"), for death of or any injury or damage to any person or property whatsoever, to the extent such death, injury or damage arises from Tenant's use of the Premises or the conduct of Tenant's business. This indemnification provision shall not require payment as a condition precedent to recovery, and Tenant's defense obligation hereunder shall include the obligation, upon demand, to defend Landlord against any Claims by counsel reasonably satisfactory to Landlord. In addition, if any person not a party to this Lease shall institute any other type of action against Tenant in which Landlord, involuntarily and without cause, shall be

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made a party defendant and which is related to this Lease, Tenant shall indemnify, hold Landlord harmless from and defend Landlord from all liabilities by reason thereof.

(c) Tenant's Insurance. Tenant hereby agrees to maintain in full force

and effect at all times during the term of this Lease, at its own expense, for the protection of Tenant and Landlord, as their interests may appear, policies of insurance which afford the following coverages:

(i) Workers' Compensation coverage as required by law.

(ii) Comprehensive General Liability or Commercial General Liability Insurance with respect to the Premises and the operations on or on behalf of Tenant in, on or about the Premises, including but not limited to Blanket Contractual Liability, Broad Form Property Damage Liability Coverage, Personal Injury, and Fire Legal Liability, Host Liquor Liability protection and indemnity (if applicable) and Owned and Non-Owned Automobile Coverage in an amount not less than \$1,000,000 per occurrence. The policy for such insurance shall contain the following provisions: (A) severability of interest; (B) cross liability; (C) an endorsement naming Landlord and any other mortgagees of the Building. designated in writing by Landlord as an additional insured; (D) an endorsement stating, in substance, "such insurance as is afforded by this policy for the benefit of the Landlord and any other additional insured shall be primary as respects to any liability or claims arising out of the occupancy of the Premises by the Tenant, or Tenant's operations and any insurance carried by Landlord, or any other additional insured shall be non-contributory;" (E) an endorsement allocating to the Premises the full amount of liability limits required by this Lease; (F) coverage must be on an "occurrence basis;" "Claims Made" forms are not acceptable; and (G) an aggregate limit of no less than \$3,000,000 per annum available for occurrences at the Premises, if such policy has an aggregate limit.

(iii) Insurance providing protection against "All Risks" of physical loss, including without limitation insurance against fire, theft, burglary, structural collapse, sprinkler leakage, earthquake and flood (if required by a lender holding a security interest in the Building), vandalism and malicious mischief, in an amount sufficient to cover the full cost of replacement (with no deductible for depreciation and with the understanding that such amount shall be adjusted not more frequently than on an annual basis) of all improvements and betterments to the Premises, all of Tenant's fixtures, furnishings, equipment, furniture, trade fixtures and other personal property located or used in the Premises. All policies of such insurance shall contain no coinsurance or contribution provisions and shall name Landlord and any mortgagees of the Building designated in writing by Landlord, if any, as additional insureds and/or loss payable in accordance with such lender's or lenders' requirements. For the purposes of this subparagraph (iii), the Premises shall consist of the Rentable Area shown in the floor plan attached hereto as Exhibit "A-1," and consist of the cubic space spanning from the floor slab to the bottom surface of the floor slab of the floor immediately above the Premises (the "upper slab"), without any offsets or deductions for columns and other structural portions of the Building or vertical penetrations that are included for the special use of Tenant. Such cubic space shall include the plenum space which is bounded by the lower surface of the upper slab and the suspended ceiling of the Premises. The proceeds of such insurance, so long as this Lease remains in effect, shall be used to repair or replace the improvements, trade fixtures and personal property in the Premises so insured. Upon any termination of this Lease pursuant to Paragraph 14(a) above, the proceeds of such insurance relating to permanent improvements to the Premises shall be the property of Landlord (but excluding furniture, fixtures and equipment which may be removed pursuant to the terms of this Lease).

(d) Deductibles. Tenant may, with the written consent of Landlord,

elect to have reasonable deductibles in connection with the policies of insurance required to be maintained by Tenant under subparagraph (c)(iii).

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(e) Certificates of Insurance. Tenant shall deliver to Landlord at

least thirty (30) days prior to the time such insurance is first required to be carried by Tenant, and thereafter at least thirty (30) days prior to the renewal date or expiration of each such policy, Certificates of Insurance evidencing the above coverage with limits not less than those specified above. Such Certificates, with the exception of Workers' Compensation, shall add Landlord and each of its partners, and its and their subsidiaries, affiliates, partners, officers, directors, agents, employees, lenders and other persons or entities designated by Landlord and having an insurable interest in the Premises as additional insureds and shall expressly provide that the interest of same therein shall not be affected by any breach by Tenant of any policy provision for which such Certificates evidence coverage. Neither Landlord nor any other person or entity named as an additional insured pursuant to this subparagraph shall have any obligation under such policies, such as payment of premiums, giving of notices and the like. Further, all Certificates shall expressly provide that not less than thirty (30) days prior unqualified written notice shall be given to Landlord or Landlord's lender in the event of material alteration to, non-renewal of, or cancellation of the coverages evidenced by such Certificates. Notwithstanding the foregoing, Landlord may, at any time, from time to time, inspect and/or copy and approve any and all insurance policies required hereunder.

(f) Landlord's Insurance. Landlord shall at all times during the term

of this Lease maintain in effect a policy or policies of "All Risk" insurance, together with sprinkler leakage and vandalism and malicious mischief coverage, covering one hundred percent (100%) of the full replacement cost valuation of the Building, and Landlord's personal property including its business papers, furniture, fixtures and equipment (collectively, "Landlord's Property"), subject to commercially reasonable deductibles, in the event of fire, lightning, windstorm, vandalism, malicious mischief and all other risks normally covered by "all risk" policies carried by landlords of comparable buildings in the vicinity of the Building. Landlord shall also obtain and keep in full force (a) a policy of commercial general liability and property damage insurance, (b) loss of rent insurance and (c) workers' compensation insurance, all such insurance being in amounts and with deductibles comparable to the insurance being carried by landlords of Comparable Buildings provided, however, that the foregoing shall not be applicable to Landlord's lender which shall be responsible to provide such coverage as the lender then utilizes under its insurance program for buildings similar to the Building if such lender becomes responsible under this Lease to provide such insurance. To the extent Landlord is constructing the Tenant Improvements, Landlord shall (i) carry "all risk" property policy covering the Tenant Improvements in an amount not less than one hundred percent (100%) of the full replacement cost valuation naming Landlord's Agents as the insured and Tenant as an additional insured to the extent of Tenant's interest in the Tenant Improvements, (ii) cause the contractors and subcontractors to carry a policy of contractor's liability insurance with a policy limit of \$1,000,000 and (iii) cause the its contractors and subcontractors to carry Commercial General Liability and Comprehensive Automobile Liability Insurance, including the ownership, maintenance and operation of any automotive equipment, owned, hired, or non-owned in an amount not less than Five Hundred Thousand Dollars (\$500,000) for each person in one accident, and One Million Dollars (\$1,000,000) for injuries sustained by two or more persons in any one accident and property damage liability in an amount not less than One Million Dollars (\$1,000,000) for each accident. Landlord may also, but shall not be required to, maintain flood and earthquake insurance with respect to the Building, rental interruption insurance assuring that the rent under this Lease will be paid to Landlord for a period of not less than twelve (12) months if the Premises are destroyed or rendered inaccessible by a risk insured against under the foregoing coverage, and any other types of insurance that Landlord, in its business judgment, may determine is necessary or desirable to obtain and is maintained by landlords of Comparable Buildings. The cost of all such insurance shall be included in the Operating Expenses to be reimbursed by Tenant to Landlord pursuant to Paragraph 3.

(g) Increase in Coverage. Upon demand, Tenant shall provide Landlord,

at Tenant's expense, with such increased amount of existing insurance, and such other insurance in such limits, as Landlord may reasonably require and such other hazard insurance as the nature and condition of the Premises may require in the sole judgment of Landlord to afford Landlord adequate protection for risks of Tenant to be insured hereunder.

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(h) No Co-Insurance. If on account of the failure of Tenant to comply

with the provisions of this Paragraph, Landlord or any additional insured is adjudged a coinsurer by its insurance carrier, then any loss or damage Landlord or such additional insured shall sustain by reason thereof shall be borne by Tenant and shall be immediately paid by Tenant upon receipt of a bill therefor and evidence of such loss.

(i) Insurance Limits. Landlord makes no representation that the limits

of liability specified to be carried by Tenant under the terms of this Lease are adequate to protect Tenant against Tenant's undertakings under this Lease. In the event Tenant believes that any such insurance coverage called for under this Lease is insufficient, Tenant shall provide, at its own expense, such additional insurance as Tenant deems adequate. In no event shall the limits of any coverage maintained by Tenant pursuant to this Paragraph 20 be considered as limiting Tenant's liability under this Lease.

(j) The Party's Negligence. Subject to the insurance, release and

wavier of subrogation provisions of this Lease, nothing contained in this Lease shall operate to relieve either party from any loss, damage, injury, liability, claim, cost or expense which was proximately caused by its acts, omissions or willful misconduct or that of their respective employees, agents or representatives. In the event that Landlord and Tenant are each determined to be negligent in connection with any occurrence, the respective parties shall bear those portions of the liability determined by applying their respective percentages of negligence to the total liability assessed, to the extent not covered by the insurance coverages required under this Lease.

(k) General Requirements. All insurance required to be carried by

Tenant hereunder shall be with companies rated A:X, or better, in the then most recent edition of Best's Insurance Guide and licensed to provide the relevant insurance in the State of California. Such insurance shall be primary insurance (and not "excess over") as respects Landlord and any other additional insured(s) designated by Landlord and not contributory with any other available insurance. All policies of such insurance shall each contain an unqualified provision that the insurer will not cancel, deny renewal or materially amend the coverage provided by such policy without first giving Landlord and any additional insured(s) thirty (30) days' prior written notice. All policies and certificates delivered by Tenant pursuant to this Paragraph shall contain liability limits not less than those set forth herein, shall list the additional insured(s) and shall specify all endorsements and special coverages required by this Paragraph. Any insurance required to be maintained by Tenant may be maintained by Tenant pursuant to so-called "blanket" policies of insurance so long as (i) the Premises is specifically identified therein (by rider, endorsement or otherwise) as included in the coverage provided, (ii) the limits of the policy are applicable on a "per location" basis to the Premises and (iii) such policies otherwise comply with the provision of this Lease. The term "term of this Lease" shall mean, for the purposes of this Paragraph, the period commencing on the date Tenant is given access to the Premises for any purpose through the later of the expiration or termination of the Lease term or the date Tenant surrenders physical possession of the Premises to Landlord. With respect to the Comprehensive General Liability insurance required to be obtained by Tenant under this Lease, the foregoing general requirements are subject to the specific requirements set forth in subparagraph (c)(ii), above.

(l) Landlord's Self Help Right. In the event that Tenant fails to

procure, maintain and/or pay for at the times and for the durations specified in this Lease, any insurance required by this Paragraph, or fails to carry insurance required by any governmental requirement, Landlord may (but without obligation to do so) at any time or from time to time, and without notice, procure such insurance and Tenant agrees to pay the sums so paid by Landlord together with interest thereon at the interest rate set forth in Paragraph 37(a) below, and any costs or expenses incurred by Landlord in connection therewith, within ten (10) days following Landlord's written demand to Tenant for such payment.

21. WAIVER OF SUBROGATION

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Landlord and Tenant each hereby waives any and all rights of recovery against the other, and against any other tenant or occupant of the Building and against the officers, employees, agents, representatives, customers and invitees of such other party and of such other tenant or occupant of the Building for loss of or damage to such waiving party or its property or the property of others under its control, to the extent that such loss or damage is insured against under any policy of insurance required to be carried by such waiving party pursuant to the provisions of this Lease (or any other policy of insurance carried by such waiving party in lieu thereof) at the time of such loss or damage. The foregoing waiver shall be effective whether or not a waiving party shall actually obtain and maintain the insurance which such waiving party is required to obtain and maintain pursuant to this Lease (or any substitute therefor). The policies of insurance which Landlord and Tenant are required to maintain under this Lease shall provide that the insurance company shall waive all right of recovery by way of subrogation against either Landlord or Tenant in connection with any damage covered by the subject policy.

22. ATTORNEYS' FEES

In the event of any legal action, litigation or arbitration proceeding brought by either party against the other arising out of or on in connection with this Lease, the Premises or the Building or in which this Lease is asserted as a defense, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees incurred in such action in an amount determined by the court, in addition to its costs incurred in such action, and such amounts shall be included in any judgment rendered in such action or proceeding. This provision shall survive the termination of this Lease.

23. WAIVER

No waiver by Landlord or Tenant of any provision of this Lease or of any breach by Tenant or Landlord hereunder shall be deemed to be a waiver of any other provision hereof, or of any subsequent breach by Tenant or Landlord of the same or any other provision. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act of Tenant. Tenant's consent to or approval of any act by Landlord requiring Tenant's consent or approval shall not be deemed to render unnecessary the obtaining of Tenant's consent to or approval of any subsequent act of Landlord. Furthermore, any custom or practice which may develop between the parties in the administration of this Lease shall not be construed to waive or lessen the right of Landlord or Tenant to insist upon the performance by Tenant or Landlord in strict accordance with all of the terms, covenants, agreements, conditions, and provisions of this Lease. No act or thing done by Landlord or Landlord's agents during the term of this Lease shall be deemed an acceptance of a surrender of the Premises, unless done in a writing signed by Landlord. Tenant's delivery of keys to any employee or agent of Landlord shall not operate as a termination of this Lease or a surrender of the Premises unless done pursuant to a written agreement to such effect executed by Landlord. The acceptance of any rent by Landlord following a breach of this Lease by Tenant shall not constitute a waiver by Landlord of such breach (other than the failure to pay the particular rent so accepted) or any other breach unless such waiver is expressly stated in a writing signed by Landlord. The acceptance of any payment from a debtor in possession, a trustee, a receiver or any other person acting on behalf of Tenant or Tenant's estate shall not waive or cure a default under Paragraph 26(A)(vi) or waive the provisions of Paragraphs 16 or 25.

24. NOTICES

All notices, requests, payments, consents or approvals ("notices") which Landlord or Tenant may be required, or may desire, to serve on the other shall be in writing and may be served, by personal service or as an alternative to personal service, by mailing the same by registered or certified mail, postage prepaid and return receipt requested, addressed as set forth in Item 13 of the Basic Lease Provisions, or addressed to such other address or addresses as

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either Landlord or Tenant may from time to time designate to the other in the manner provided for herein. All notices shall be deemed effective upon receipt. If personally delivered, notices shall be deemed received at the time of delivery. If any notice is sent by mail, the same shall be deemed delivered and received on the date of receipt or refusal indicated on the return receipt. Any notice provided for herein may also be sent by facsimile transmission or by any reputable overnight courier so long as written confirmation of delivery of such notice is obtained by the sender. In either of these cases, a confirmation copy of such notice shall be sent by registered or certified mail, return receipt requested, and such notice shall be deemed to be received one day after it is sent.

25. INSOLVENCY OR BANKRUPTCY

In no event shall this Lease be assigned or assignable by operation of law and in no event shall this Lease be an asset of Tenant in any receivership, bankruptcy, insolvency, or reorganization proceeding.

26. DEFAULTS AND REMEDIES

(a) The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant:

(i) Any failure by Tenant to pay the rent or to make any other payment required to be made by Tenant hereunder at the time specified for payment. Landlord shall give Tenant three (3) days' written notice of any such default, which notice shall be in lieu of, and not in addition to, any notice required under Section 1161, et seq., of the California Code of

Civil Procedure, as amended;

(ii) The abandonment of the Premises by Tenant. Abandonment is herein defined to include any absence by Tenant from the Premises for five (5) days or longer while Tenant is otherwise in default under this Lease;

(iii) Any failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant, where such failure continues for ten (10) days (except where a different period of time is specified in this Lease) after written notice by Landlord to Tenant; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under Section 1161, et seq., of the

California Code of Civil Procedure, as amended. If the nature of such default is such that the same cannot reasonably be cured within such ten (10) day period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion;

(iv) Tenant makes or has made or furnishes or has furnished any material warranty, representation or statement to Landlord in connection with this Lease, or any other agreement to which Tenant and Landlord are parties, which is or was false or misleading in any material respect when made or furnished;

(v) Subject to the provisions of Paragraph 16(h) above, any substantial portion of the assets of Tenant is transferred, or any material obligation is incurred by Tenant, unless such transfer or obligation is incurred in the ordinary course of Tenant's business, or in good faith for fair equivalent consideration, or with Landlord's consent; and/or

(vi) The making by Tenant of any general assignment for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; the

attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days; or Tenant's convening of a meeting of its creditors or any class thereof for the purpose of effecting a moratorium upon or composition of its debts.

(b) In the event of any such default by Tenant, then in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event that Landlord shall elect to so terminate this Lease then Landlord may recover from Tenant:

(i) the worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss which Tenant proves reasonably could have been avoided; plus

(iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term of this Lease after the time of award exceeds the amount of such rental loss that Tenant proves reasonably could have been avoided; plus

(iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom including any amount expended by Landlord to mitigate damages; plus

(v) the unamortized value of the Building Standard Work (as described in Exhibit "B") made to the Premises, calculated by reference to the length of the term of the Lease that would have remained had the Lease not been terminated; plus

(vi) the amount of rent, if any, that is postponed or abated, as well as the amount of any other rent or operating concession, any lease take over obligation assumed by Landlord, any lease subsidy paid by Landlord or any other bonus, lease cancellation payment, inducement or concession for Tenant's entering into this Lease; and

(vii) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

(c) As used in subparagraphs (b)(i) and (b)(ii) above, the "worth at the time of award" is computed by allowing interest at the rate determined pursuant to Paragraph 37 below. As used in subparagraph (b)(iii) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(d) In the event of any default by Tenant, Landlord shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all persons and property from the Premises. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, all in accordance with applicable California law.

(e) In the event of the abandonment as defined in Paragraph 26(a)(ii) above, of the Premises by Tenant or in the event that Landlord shall elect to re-enter as provided above or shall take possession of the Premises pursuant to legal proceedings or pursuant to any notice provided by law, then if Landlord does not elect to terminate this Lease as provided in this Paragraph 26, Landlord may from time to time, without terminating this Lease, either recover

all rental as it becomes due or relet the Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises. Election by Landlord to proceed pursuant to this subparagraph shall be made upon written notice to Tenant and shall be deemed an election of the remedy described in California Civil Code Section 1951.4 and, unless Landlord relets the Premises, Tenant shall have the right to sublet or assign subject to the prior written consent of Landlord. Such consent shall not be unreasonably withheld and shall be subject to all of the terms and provisions of Paragraph 16.

(f) In the event that Landlord shall elect to so relet, then rentals received by Landlord from such reletting shall be applied: first, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any reasonable cost of such reletting; third, to the payment of the reasonable cost of any alterations and repairs to the Premises; fourth, to the payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future amounts as the same may become due and payable hereunder. Should the rent for such reletting, during any month for which the payment of rent is required hereunder, be less than the rent payable during that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand therefor by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as ascertained, any reasonable costs and expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

(g) No re-entry, removal of property or taking possession of the Premises by Landlord pursuant to this Paragraph 26 shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Furthermore, neither Landlord's acts of maintenance or preservation nor its efforts to relet nor the appointment of a receiver to

collect rents shall constitute a termination of Tenant's right to possession unless a written notice of such intention is provided by Landlord to Tenant. Notwithstanding any reletting without termination by Landlord because of any default by Tenant, Landlord may at any time after such reletting elect to terminate this Lease for any such default.

(h) In any action for unlawful detainer commenced by Landlord against Tenant by reason of any default hereunder, the reasonable rental value of the Premises for the period of the unlawful detainer shall be the amount of rent reserved in this Lease for such period, unless Landlord or Tenant shall prove to the contrary by competent evidence. The rights and remedies reserved to Landlord herein, including those not specifically described, shall be cumulative and, except as otherwise provided by California statutory law in effect at the time, Landlord may pursue any or all of such rights and remedies, or any other right available at law or equity, at the same time or otherwise.

(i) All covenants and agreements to be performed by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of rent. If Tenant fails to pay any sum of money, other than rent, required to be paid by it or fails to perform any other act on its part to be performed, and such failure continues beyond any applicable grace period set forth in the Paragraph providing for such obligation (or if no grace period is set forth in such Paragraph, then the applicable grace period pursuant to this Paragraph 26), then in addition to any other remedies provided herein Landlord may, but shall not be obligated so to do, without curing such default or waiving or releasing Tenant from any of its obligations, make any such payment or perform any such other act on Tenant's part, including the removal of any offending signs. Landlord's election to make any such payment or perform any such act on Tenant's part shall not give rise to any responsibility of Landlord to continue making the same or similar payments or performing the same or similar acts. Tenant shall, within thirty (30) days after written demand therefor by Landlord, reimburse Landlord for all sums so paid by Landlord and all necessary incidental costs, together with interest thereon at the rate determined under Paragraph 37, accruing from the date of such payment by Landlord;

and Landlord shall have the same rights and remedies in the event of failure by Tenant to pay such amounts as Landlord would have in the event of a default by Tenant in payment of rent.

(j) Subject to the provisions of Paragraph 26(a), Tenant hereby waives, for itself and all persons claiming by and under Tenant, all rights and privileges which it might have had under any present or future law, to redeem the Premises or to continue the Lease after being dispossessed or ejected from the Premises.

27. HOLDOVER

Tenant shall surrender possession of the Premises immediately after the expiration of the Lease term or termination of the Lease. If Tenant or anyone claiming under Tenant holds over after the expiration or earlier termination of the term hereof without the express written consent of Landlord, Tenant shall (a) become a tenant at sufferance only at the greater of (i) two hundred percent (200%) of the Basic Annual Rent and Additional Rent then in effect, or (ii) two hundred percent (200%) of the then current market rent in the Building (Basic Annual Rent and Additional Rent) by reference to recent comparable transactions entered into by Landlord and otherwise upon the terms, covenants and conditions herein specified, so far as applicable, (b) if Tenant holds over more than thirty (30) days, pay all damages sustained by Landlord by reason of such holding over and (c) if Tenant holds over more than thirty (30) days, indemnify, defend and hold Landlord harmless from and against any loss or liability resulting from such holding over, including, but not limited to, any amounts required to be paid to any tenant or prospective tenant who was to have occupied the Premises after said termination or expiration and any related attorneys' fees and brokerage commissions. Acceptance by Landlord of rent after such expiration or earlier termination shall not constitute a consent to a holdover hereunder, but shall create only a month-to-month tenancy terminable at the end of any calendar month by not less than ten (10) days written notice given by either party to the other party. Further, no payment of money by Tenant to Landlord after the termination of this Lease by Landlord, or after the giving of any notice of termination to Tenant by Landlord which Landlord is entitled to give Tenant under this Lease, shall reinstate, continue or extend the term of this Lease or shall affect any such notice given to Tenant prior to the payment of such money, it being agreed that after the service of such notice or the commencement of any suit by Landlord to obtain possession of the Premises, Landlord may receive and collect when due any and all payments owed by Tenant under the Lease, and otherwise exercise its rights and remedies. The making of any such payments by Tenant shall not waive such notice, or in any manner affect any pending suit or judgment obtained. The foregoing provisions of this Paragraph are in addition to and do not affect Landlord's right of re-entry or any other rights of Landlord hereunder or as otherwise provided by law.

28. CONDITION OF PREMISES

Except as expressly provided herein, Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or the Building or with respect to the suitability of any part of the Building for the conduct of Tenant's business. The taking of possession of the Premises by Tenant shall conclusively establish, except with respect to latent defects, that the Premises and the Building were at such time in good and sanitary order, condition and repair except with respect to non-latent defects as to which Tenant notifies Landlord within thirty (30) days of the taking of possession of the Premises by Tenant for the purpose of conducting business operations. Landlord and its agents shall be responsible for the repair of any and all structural and/or latent defects in the Premises or in the Building during the term of this Lease as it may be extended. Tenant shall endeavor to give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building, or of defects therein.

29. QUIET POSSESSION

Upon Tenant's paying the rent hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder,

Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all the provisions of this Lease.

30. TENANT'S SIGNS

(a) Tenant may, at its sole cost and expense, place its signs displaying its logo and graphics on the entrance doors to the Premises and in hallways or elevator lobbies on floors wholly leased by Tenant. On partial floors leased by Tenant, Tenant, at its sole cost and expense, may place its signs on entrance doors to the Premises provided the number, size, color, style, material and location of such signs conform to Landlord's graphics program for the Building and Landlord shall place directional signs to the Premises, at Tenant's expense, at a location determined by Landlord.

(b) Landlord at its own cost and expense shall place a directory board in the Building lobby. Landlord shall cause Tenant's name to be affixed thereto, at Landlord's cost. Any changes shall be at Tenant's cost.

(c) Unless specifically set forth to the contrary in an addendum to this Lease, Tenant shall not place any sign on the exterior of the Building, or within the Building if such sign may be seen from outside of the Building or on any Building sign monument or other device constructed for the placement of tenant signs.

(d) All Tenant signs installed by Landlord or Tenant shall comply with all applicable requirements of all governmental authorities having jurisdiction and shall be installed in a good and workmanlike manner. Such signs shall be maintained and kept in good repair at Tenant's sole cost and expense.

31. CONFLICT OF LAWS

This Lease shall be governed by and construed pursuant to the laws of the State of California, and the venue of any action or proceeding under this Lease shall be Orange County, California.

32. COMMON FACILITIES; PARKING

Tenant shall have the non-exclusive right, in common with Landlord and other tenants and occupants of the Building and their employees, agents and business visitors, to the use of all common facilities which constitute a part of the Building, subject to such reasonable rules and regulations relating to such use as Landlord may from time to time establish. Common facilities located within the Building include any building lobby, elevators, rest rooms, stairways and stairwells, elevator lobbies and all common entrances, corridors, passageways and serviceways which are not located within the Premises of Tenant or the premises of another tenant of the Building. Common facilities located outside of the Building include landscaping, hardscaping and any fountains adjacent to the Building, a parking structure (the "Building Parking Structure"), all sidewalks, driveways, vehicle and pedestrian entrances and accessways, loading docks, truck tunnels, truck parking and truck turn-around areas, vehicle and pedestrian ramps serving the Building and any pedestrian walkway connecting the Building and the Building Parking Structure. Landlord may make changes at any time and from time to time to the common facilities, without any liability to Tenant, and no such change shall entitle Tenant to any abatement of rent. Landlord shall at all times have the sole and exclusive control of the common facilities. To the extent that any common facilities located outside of the Building are maintained jointly or for the common benefit of Landlord and the owners of adjacent structures, (i) Tenant's non-exclusive right of use of such common facilities shall be in common with Landlord, other tenants and occupants of and visitors to the Building and the owners, tenants, occupants of and visitors to such other structures and (ii) Operating Expenses for purposes of Paragraph 3 shall include only that portion of the operating expenses of such common facilities as are allocated to the Building from time to time by agreement among Landlord and the owners of such other structures.

Tenant shall keep all common facilities free and clear of any obstructions created or permitted by Tenant or resulting from Tenant's operations and shall not conduct an assembly on the common facilities without Landlord's prior consent. Nothing herein shall affect the right of Landlord at any time to remove any persons not authorized to use the common facilities or to prevent the use of such facilities by unauthorized persons. Landlord reserves the right, from time to time, to (A) make alterations in or additions to the common facilities, including without limitation, constructing new structures or changing the location, size, shape and/or number of the driveways, entrances, parking spaces, parking areas, loading and unloading areas, landscape areas and walkways, (B) close temporarily any of the common facilities of the Building for maintenance purposes as long as reasonable access to the Premises remains available, (C) designate property to be included in or eliminate property from the common facilities of the Building, and (D) use the common facilities of the Building while engaged in making alterations in or additions or repairs to the Building.

Tenant shall purchase nine (9) reserved parking contracts for parking under the Building during each month of the term of this Lease at prevailing rates as established from time to time and pursuant to the Parking Agreement attached hereto as Exhibit "E." All agreements by Tenant and Tenant's employees for monthly usage of spaces shall be made directly with the operator of the Building Parking Structure. Tenant's parking rights are personal to Tenant as originally named herein and such rights may not be sublet or assigned to any other person or entity.

33. SUCCESSORS AND ASSIGNS

Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

34. BROKERS

Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the broker(s) named in Item 10 of the Basic Lease Provisions, if any, and that it knows of no other real estate broker or agent who is or might be entitled to a commission in connection with this Lease. Landlord covenants and agrees to pay all real estate commissions due in connection with this Lease to such named broker(s), but only at such time(s) and in such amount(s) as are agreed in writing between Landlord and such broker. Tenant agrees to pay and hold Landlord harmless from and defend Landlord against any cost, expense or liability for any compensation claimed by any broker, finder or agent employed or claiming to have been employed by Tenant in connection with this Lease or with the negotiation of this Lease. Landlord and Tenant acknowledge that payment shall not be a condition precedent to recovery upon the foregoing indemnification provision.

35. NAME

Tenant shall not, without the written consent of Landlord, use the name, insignia or logotype of the Building for any purpose other than as the address of the business to be conducted by Tenant in the Premises, and in no event shall Tenant acquire any rights in or to such name, insignia and/or logotype. Furthermore, Tenant shall not use any picture of the Building in its advertising, stationery or in any other manner. Tenant shall, when referring to the Building, refer to the Building by the name or address assigned thereto, from time to time, by Landlord and shall refer to its location as "The Offices of South Coast Plaza." References to the Building and its location shall not be made by Tenant in any other manner. Landlord expressly reserves the right, in its sole and absolute discretion, at any time to change the name, insignia, logotype or street address of the Building without in any manner being liable to Tenant.

36. EXAMINATION OF LEASE

Submission of this instrument for examination, negotiation or signature by Tenant does not constitute an offer to lease or a reservation of the Premises for Tenant or an option for Tenant to lease the Premises, and it is not effective as a Lease or otherwise until at least one counterpart, duly executed by authorized persons of Landlord and Tenant, has been delivered to each party thereto. Without limiting the generality of the foregoing, Tenant acknowledges that this Lease and any material amendments hereto are subject to the approval of Landlord's lender with respect to the Building. Promptly upon execution of this Lease by Tenant, Landlord shall submit the same to its lender for approval. Delivery by Landlord to Tenant of a copy of this Lease or of any amendment hereto fully executed by Landlord and Tenant shall constitute notice to Tenant that Landlord has obtained the approval of its lender with respect to this Lease or such amendment.

37. INTEREST ON TENANT'S OBLIGATIONS; LATE CHARGE

(a) Any amount due from one party to another under this Lease which is not paid when due shall bear interest at the lesser rate ("Interest Rate") of (i) the rate publicly announced from time to time, by the largest (as measured by deposits) state chartered bank operating in California, as its Prime Rate or its Reference Rate or other similar benchmark, plus four percent (4%), or (ii) the maximum rate per annum permitted by law, from the date such payment is due until paid, but the payment of such interest shall not excuse or cure any default under this Lease. Such rate shall remain in effect after the occurrence of any breach or default hereunder to and until payment of the entire amount due.

(b) In the event Tenant is more than ten (10) days late in paying any installment of rent due under this Lease, Tenant shall pay Landlord a late charge equal to five percent (5%) of the delinquent installment of rent upon Landlord sending Tenant a notice advising of its election to assess a late charge pursuant to this Section 37(b), provided that in no event shall the amount of such late charge be less than One Hundred Dollars (\$100.00). The parties agree that it would be impractical or extremely difficult to fix Landlord's actual damages due to a late payment by Tenant and that the amount of such late charge represents a reasonable estimate of the cost and expense that would be incurred by Landlord in processing each delinquent payment of rent by Tenant and that such late charge shall be paid to Landlord as liquidated damages for each delinquent payment pursuant to California Civil Code Section 1671. The parties further agree that the payment of late charges and the payment of interest provided for in subparagraph (a) above are distinct and separate from one another in that the payment of interest is to compensate Landlord for the use of Landlord's money by Tenant, while the payment of a late charge is to compensate Landlord for the additional administrative expense incurred by Landlord in handling and processing delinquent payments. It is understood that the payment of any late charge by Tenant and the acceptance thereof by Landlord shall not be deemed a waiver by Landlord of its rights regarding any default by Tenant under this Lease.

(c) After the second late payment in any calendar year, in addition to all of its other remedies, Landlord shall have the option to require that (i) beginning with the first payment of rent next due, rent shall no longer be paid in monthly installments but shall be payable quarterly, three (3) months in advance and/or (ii) to require the payment of a security deposit equal to three (3) months rent (Basic Annual Rent and Additional Rent).

(d) Should Tenant deliver to Landlord, at any time during the term, two (2) or more insufficient checks, Landlord may require that all monies then and thereafter due from Tenant be paid to Landlord by cashier's check.

38. TIME

Time is of the essence of this Lease with respect to the performance of every provision of this Lease in which time of performance is a factor.

39. DEFINED TERMS AND MARGINAL HEADINGS

The words "Landlord" and "Tenant" as used herein shall each include the plural as well as the singular and, when applicable, shall refer to actions taken by their respective representatives. If more than one person is named as Tenant the obligations of such persons are joint and several. The headings to the Paragraphs of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretations of any part hereof.

40. PRIOR AGREEMENTS; SEPARABILITY

This Lease and the exhibits and any addenda hereto contain all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest, and consented to in writing by any lender designated by Landlord holding a secured interest in the Building. No verbal agreement or implied covenant shall be held to vary the terms hereof, any statute, law or custom to the contrary notwithstanding. No employee or agent of Landlord shall have authority, by letter, memorandum or other written communication, to amend, vary or delete any provision of this Lease or any exhibit hereto, unless such written instrument bears the signature of Landlord. If any term or provision of this Lease the deletion of which would not adversely affect the receipt of any material benefit by either party hereunder shall be held invalid, illegal or unenforceable to any extent, the remainder of this Lease shall not be affected thereby and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

41. TRAFFIC AND ENERGY MANAGEMENT

(a) Tenant and its employees shall comply with South Coast Air Quality Management District Rule 2202 (formerly known as Regulation 15) and any other environmental regulation and/or program now or hereafter applicable to the Building. Landlord and Tenant agree to cooperate and use their good faith reasonable efforts to participate in governmentally mandated and voluntary traffic management programs generally applicable to businesses located in Costa Mesa, California or to the Building and, initially, shall encourage and support van and car pooling by office workers and service employees and shall encourage and support staggered and flexible working hours for employees to the fullest extent permitted by the requirements of Tenant's business. Neither this Paragraph nor any other provision in this Lease, however, is intended to or shall create any rights or benefits in any other person, firm, company, governmental entity or the public.

(b) Landlord and Tenant agree to cooperate and use their best efforts to comply with any and all guidelines or controls imposed upon either Landlord or Tenant by federal or state governmental organizations or by any energy conservation association to which Landlord is a party concerning energy management.

(c) All costs, fees and assessments and other charges paid by Landlord to any governmental authority or voluntary association in connection with any program of the types described in this Paragraph, and all costs and fees paid by Landlord to any governmental authority, voluntary association or third party pursuant to or to implement any such program, shall be included in Operating Expenses for the purpose of Paragraph 3, whether or not specifically listed in such Paragraph. Any breach by Tenant of any of its covenants in this Paragraph 41 may result in penalties or fees being assessed against Landlord or the Building. These penalties or fees shall not be part of Operating Expenses but instead shall be payable by Tenant on demand of Landlord.

42. CORPORATE/PARTNERSHIP/TRUST AUTHORITY

Each individual executing this Lease on behalf of Landlord and Tenant represents and warrants that the execution and delivery of this Lease on behalf of the party for whom such person is executing is duly authorized, that he or she is authorized to execute and deliver this Lease and that this Lease is binding upon such party in accordance with its terms. If Tenant is

a corporation, Tenant shall, within ten (10) days after execution of this Lease, deliver to Landlord a certified copy of a resolution of the Board of Directors of Tenant or any executive committee thereof authorizing or ratifying the execution of this Lease. Failure of Tenant to provide such resolution shall not, however, relieve Tenant of its obligations pursuant to this Lease. If Tenant is a partnership or trust, Tenant shall deliver those certificates or written assurances from the partnership or trust as Landlord may reasonably request.

43. NO LIGHT, AIR OR VIEW EASEMENT

Any diminution or shutting off of light, air or view by any structure which may be erected on lands adjacent to the Building shall in no way affect this Lease, abate any payment owed by Tenant under the Lease, or otherwise impose any liability on Landlord.

44. NON-DISCLOSURE OF LEASE TERMS

Landlord and Tenant agree that the terms of this Lease are confidential and constitute proprietary information of the parties hereto. Disclosure of the terms hereof could adversely affect the ability of Landlord to negotiate with other tenants. Each of the parties hereto agrees that such party, and its respective partners, officers, directors, employees, agents, real estate brokers and sales persons and attorneys, shall not disclose the terms and conditions of this Lease to any other person without the prior written consent of the other party hereto except pursuant to an order of a court of competent jurisdiction. Provided, however, that Landlord may disclose the terms hereof to any lender now or hereafter having a lien on Landlord's interest in the Building or any portion thereof, and either party may disclose the terms hereof to its respective attorneys, independent accountants who review its respective financial statements or prepare its respective tax returns, to any prospective transferee of all or any portions of their respective interests hereunder (including a prospective sublessee or assignee of Tenant), to any lender or prospective lender to such party, to any governmental entity, agency or person to whom disclosure is required by applicable law, regulation or duty of diligent inquiry and in connection with any action brought to enforce the terms of this Lease, on account of the breach or alleged breach hereof or to seek a judicial determination of the rights or obligations of the parties hereunder.

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45. FORCE MAJEURE

Except as otherwise provided in this Lease, any covenants, conditions, provisions or agreements on the part of Landlord or Tenant to perform any act or thing for the benefit of the other party shall not be deemed breached if the party from whom performance is required is unable to furnish or perform the same by virtue of a strike, lockout, or labor trouble, fire, earthquake, explosion, flood, hurricane, the elements, acts of God or the public enemy, action, restrictions, limitations or interference of governmental authorities or agents, war, invasion, insurrection, rebellion, riots, inability to obtain necessary materials, goods, equipment, services, utilities or labor, or any other similar cause (other than a lack of funds or capital) beyond the reasonable control of the party from whom performance is required (each, a "Force Majeure Event"), nor shall Tenant's rent be abated by reason of such inability on the part of Landlord. Whenever under the provisions of this Lease, either party is required or agrees to take certain actions, the obligation of the party from whom performance is required shall be deemed fulfilled if such party causes such action to be taken by any other person. Except as otherwise expressly provided in this Lease, any Force Majeure Event shall excuse the performance of such party for a period equal to the duration of such prevention, delay or stoppage; provided, however, in no event shall financial incapacity excuse the performance of either party and no such events shall excuse or delay the payments required of either party hereunder except as specifically permitted under this Lease.

46. MISCELLANEOUS

(a) At the expiration or earlier termination of this Lease, Tenant shall execute, acknowledge and deliver to Landlord, within five (5) days after written demand from Landlord to Tenant, any quitclaim deed or other document which may be reasonably requested by any reputable title insurance company to remove this Lease as a matter affecting title to the Premises on a preliminary title report or title policy issued with respect to the Building.

(b) Tenant acknowledges that the exterior demising walls of the Premises and the area between the finished ceiling of the Premises and the slab of the Building floor thereabove have not been leased to Tenant and the use thereof together with the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through, under or above the Premises in locations which will not materially interfere with Tenant's use of the Premises are hereby reserved by Landlord.

(c) All amounts payable hereunder shall be paid in lawful money of the United States which shall be legal tender at the time of payment. When no other time is stated herein for payment, payment of any amount due from Tenant to Landlord hereunder shall be made within ten (10) days after Tenant's receipt of Landlord's invoice or statement therefor.

(d) Tenant shall, upon written request by Landlord, amend this Lease in any manner reasonably requested by any actual or prospective ground lessor or lender to Landlord, provided that any such amendment shall not materially impair any rights or remedies of Tenant hereunder.

(e) LANDLORD AND TENANT EACH ACKNOWLEDGES THAT IT HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHTS TO TRIAL BY JURY UNDER THE CONSTITUTIONS OF THE UNITED STATES AND THE STATE OF CALIFORNIA. EACH PARTY EXPRESSLY AND KNOWINGLY WAIVES AND RELEASES ALL SUCH RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTERS ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE.

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(f) This Lease may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

(g) This Lease shall be strictly construed neither against Landlord nor Tenant.

(h) Neither this Lease nor any memorandum hereof shall be recorded by either Landlord or Tenant.

(i) The obligations of the indemnifying party under each and every indemnification and hold harmless provision in this Lease shall survive the expiration or earlier termination of this Lease to and until the last to occur of (i) the last date permitted by law for the bringing of any claim or action with respect to which indemnification may be claimed by the indemnified party against the indemnifying party under such provisions or (ii) the date on which any claim or action for which indemnification may be claimed under such provision is fully and finally resolved and, if applicable, any compromise thereof or judgment or award thereon is paid in full by the indemnifying party and the indemnified party is reimbursed by the indemnifying party for any amounts paid by the indemnified party in compromise thereof or upon a judgment or award thereon and in defense of such action or claim, including reasonable attorneys' fees incurred.

(j) In no event shall the review, approval, inspection or examination by Landlord of any item to be reviewed, approved, inspected or examined by Landlord under the terms of this Lease be deemed to be an approval of, or representation or warranty as to, the adequacy,

accuracy, sufficiency or soundness of any such item or the quality or suitability of such item for its intended use. Any such review, approval, inspection or examination by Landlord shall be for the sole purpose of protecting Landlord's interests in the Building under this Lease, and no third parties shall have any rights pursuant thereto.

(k) The obligations of Landlord herein are intended to be binding only on the property of the entity acting as Landlord and shall not be personally binding, nor shall any resort be had to the private properties of the general partners thereof or any employee or agent of Landlord. Subject to the provisions of Paragraph 18 to the contrary, any lien obtained to enforce any judgment obtained by Tenant against Landlord and any levy of execution thereon shall be subject and subordinate to any lien, mortgage or deed of trust to which Paragraph 18 applies or may apply.

47. GUARANTY - INTENTIONALLY OMITTED

48. ADDENDA

The provisions in this Paragraph 48 shall supersede and override any other provision in this Lease to the extent the same are inconsistent.

48.1 INTENTIONALLY OMITTED

48.2 ADDITIONAL RENT

(a) Notwithstanding the provisions of Paragraph 3(c) above, for the purposes of interim adjustments of Additional Rent payments, all increases in Operating Expenses shall be netted against all decreases in Operating Expenses and only the net increase, if any, in Operating Expenses shall be used as the basis for an increase in Tenant's monthly payments on account of Additional Rent.

(b) Notwithstanding anything to the contrary contained in this Lease, Operating Expenses shall not include:

(i) Any ground lease rental.

(ii) Costs of capital improvements and equipment other than as specifically permitted pursuant to Paragraph 3(d).

(iii) Costs incurred by Landlord for the repair of damage to the Building to the extent that Landlord is reimbursed by insurance proceeds or any other third party.

(iv) Costs, including permit, license and inspection costs, incurred with respect to the installation of tenant or other occupant improvements made for tenants or other occupants in the Building or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Building.

(v) Marketing costs including leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Building.

(vi) Expenses incurred by Landlord in providing services or benefits to other tenants, where such services or benefits are not provided to Tenant or where such services are provided to Tenant on a direct charge basis while provided to such other tenants with the cost thereof included in Operating Expenses.

(vii) Costs incurred by Landlord in disputes between Landlord and other tenants or Tenant or in enforcing the terms of particular leases.

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(viii) Overhead and profit increment paid by Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in or to the Building to the extent the same exceeds the costs of such goods and/or services available from unaffiliated third parties on a competitive basis.

(ix) Interest, principal, points and fees on debt and amortization on any mortgage or mortgages or any other debt instrument encumbering the Building, except as permitted for capital improvements pursuant to Paragraph 3(d).

(x) Landlord's general corporate overhead and general and administrative expenses.

(xi) To the extent any other occupant of the Building receives Additional Services and is not charged for such Additional Services on the same basis as Tenant, then the cost of providing such Additional Services shall not be included in Operating Expenses and Section 10(j) shall not, under those circumstances only, be applicable with respect to any payments received by Landlord in connection with the providing of those particular Additional Services to that particular occupant.

(xii) Costs incurred in connection with upgrading the Building other than the Premises to comply with handicap, life, fire and safety codes, ordinances, statutes or other laws in effect prior to the date hereof, including, without limitation, the ADA, including penalties or damages incurred due to such non-compliance.

(xiii) Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments and/or to file any tax or informational returns when due.

(xiv) Costs arising from latent defects in the Building or Building improvements installed by Landlord or the repair of such latent defects.

(xv) Costs associated with the operation of the business of the partnership or entity which constitutes Landlord as the same are distinguished from the costs of operation of the Building, including partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Building, costs of any disputes between Landlord and its employees (if any) not engaged in Building operation, disputes of Landlord with Building management, or outside fees paid in connection with disputes with other tenants.

(c) For the purposes of determining Operating Expenses pursuant to Paragraph 3, the following shall pertain:

(i) The premiums paid by Landlord for earthquake insurance with respect to the Building, if Landlord elects to purchase such coverage, shall be included in Operating Expenses as provided in Paragraph 3(d). Similarly, amounts paid by Landlord for repairs (other than capital expenses resulting from a casualty or an earthquake) or to settle claims as the result of coverage deductibles maintained by Landlord shall also be included in Operating Expenses.

(ii) Operating Expenses shall include all increases in real property taxes and assessments with respect to the Building, from whatever source arising.

(iii) Operating Expenses shall include a management fee equal to the lesser of three percent (3%) of all revenues received from the Building, on a per annum basis, or such lesser fee as is actually paid by Landlord to a third party for management of the Building. Such fee shall be included in Operating Expenses whether or not Landlord retains a professional management company for the Building. If the Building is managed by Landlord rather than a third party, the management fee included in Operating Expenses shall be three

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percent (3%) of gross revenues from the Building or such lesser fee as Landlord elects to charge to the Building.

48.3 HAZARDOUS MATERIALS

(a) To the best of Landlord's knowledge, no Hazardous Materials, as defined in Paragraph 9, were incorporated into the Building in the construction thereof in violation of any Hazardous Materials Laws.

(b) Landlord shall indemnify, protect, defend (with legal counsel acceptable to Tenant in its subjective, good faith judgment) and hold harmless Tenant and Tenant's Agents from and against any and all H.M. Claims incurred by such indemnified persons, or any of them, in connection with, or as the result of (A) the presence, Use or disposal of any Hazardous Materials into or about the Building, or the transportation of any Hazardous Materials to or from the Building, by Landlord or its Agents; (B) any injury to or death of persons or damage to or destruction of property resulting from the presence, Use or disposal of any Hazardous Materials into or about the Building, or the transportation of any Hazardous Materials to or from the Building, by Landlord or its Agents; (C) any violation of any Hazardous Materials Laws by Landlord; and (D) any failure by Landlord or its Agents to observe the foregoing covenants of this Paragraph 48.3(b). Payment shall not be a condition precedent to enforcement of the foregoing indemnification provision. For purposes of these indemnification provisions, any acts or omissions of Landlord, or Landlord's Agents (regardless of whether they are negligent, intentional, willful or unlawful) shall be strictly attributable to Landlord. Landlord's obligations hereunder shall be as provided in Paragraph 14 and shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary testing, investigation, studies, reports, repair, clean-up, detoxification or decontamination of the Building, and the preparation and implementation of any closure, removal, remedial action or other required plans in connection therewith, and shall survive the expiration or earlier termination of the term of this Lease. In the event of any foreclosure, deed in lieu of foreclosure or other transfer of the Building to Landlord's first mortgagee, this indemnity and Paragraph 48.3(b) are hereby deleted from the Lease and are without force as to such mortgagee. However, Landlord's mortgage and any purchaser at any foreclosure sale or similar transfer of the Building will: (i) comply at all times with all applicable Hazardous Materials Laws, and (ii) will remediate or clean-up, as applicable, in accordance with Hazardous Materials Laws all Hazardous Materials which interfere with or prevent Tenant's use or occupancy of or access to the Premises and which are not caused by Tenant, its agents, employees and contractors.

48.4 RULES AND REGULATIONS

Landlord shall not change, revise or enforce the Rules and Regulations of the Building attached to this Lease in any unreasonable way, nor shall Landlord enforce or change the Rules and Regulations in a discriminatory manner or in such a way so as to interfere with Tenant's use of the Premises as permitted under Paragraph 11 of the Basic Lease Provisions. Landlord further agrees that nothing in the use restrictions of this Lease or such Rules and Regulations shall be used to prohibit the conduct of any business from the Premises permitted by such Basic Lease Provision. If any other tenant or occupant of the Building fails to comply with the Rules and Regulations for the Building, and such noncompliance unreasonably interferes with Tenant's use of the Premises, Landlord shall use reasonable efforts to make such other tenant or occupant comply with the Rules and Regulations. In the event the terms and provisions of this Lease conflict with the Rules and Regulations, the conflicting provisions of the Lease shall control.

48.5 RIGHT TO TERMINATE; BONUS VALUE

(a) In the event that Tenant is notified that, within twelve (12) months after either: (i) damage or destruction of the Building, the Building Parking Structure and or Premises or any part thereof so as to materially interfere with or prevent Tenant's use of the

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Premises, the Building Parking Structure and/or the common areas of the Building, or (ii) the taking of the Premises, the Building Parking Structure and/or the common areas of the Building or any part thereof so as to materially interfere with or prevent Tenant's use of the Premises, the Building Parking Structure and/or the common areas of the Building by eminent domain or exercise of other governmental authority, or (iii) the inability of Landlord to provide services to the Premises, the Building Parking Structure and/or the common areas of the Building so as to materially interfere with or prevent Tenant's use of the Premises, the Building Parking Structure and/or the common areas of the Building, or (iv) any discovery of Hazardous Materials in, on or about the Premises, the Building Parking Structure, the Building and/or the Site not placed in, on or about the Premises, Site and/or the Building by Tenant, that does, considering the nature and amount of the substances involved, materially interfere with or prevent Tenant's use of the Premises (or, as determined by a governmental or quasi-governmental agency having jurisdiction, present a health risk to any occupants of the Premises) (each of the items set forth in provision (a)(i), (ii), (iii) and (iv) being referred to herein as a "Trigger Event"), Tenant cannot be given reasonable use of, and access to, a fully repaired, restored and safe and healthful Premises, Building Parking Structure and common areas of the Building (except for minor "punch-list" items which will be repaired promptly thereafter), and the utilities and services pertaining to the Building and Premises, all sufficient for the efficient conduct of Tenant's business therefrom, then Tenant may elect to terminate this Lease upon ten (10) days' written notice sent to Landlord at any time within a period of forty-five (45) days following Tenant's notification that it is extremely unlikely that Tenant will be given the reasonable use of, and access to, a fully repaired and restored and safe and healthful Premises within twelve (12) months after the occurrence of a Trigger Event. Within sixty (60) days of any Trigger Event, Landlord shall give Tenant notice of Landlord's good faith estimate of the amount of time that will be required to give Tenant the reasonable use of and access to a fully repaired and restored and safe and healthful Premises.

(b) In the event of any Trigger Event during the last year of the Lease Term or should Tenant be prevented from using, and not use, the Premises for its normal business operations for thirty (30) consecutive days due to the occurrence of (i), (ii), (iii), or (iv) above, Tenant may elect to terminate this Lease upon ten (10) days' written notice sent to Landlord following the occurrence of (i), (ii) or (iii), and/or (iv) above and prior to the elimination of such problem.

(c) In the event that the entire Premises or such portion thereof as shall result in a termination of this Lease pursuant to Paragraph 15 shall be taken for any public or quasi-public purpose by any lawful power or authority by exercise of the right of appropriation, condemnation or eminent domain, or sold to prevent such taking, Tenant, after the payment in full of any first mortgage lien secured by the Building, shall have the right to recover from the condemning authority one hundred percent (100%) of the "Bonus Value" of the leasehold estate pursuant to this Lease. For the purposes of this provision, "Bonus Value" shall mean the difference between the rent then payable pursuant to this Lease and the rate established by the condemning authority as an award for condemnation purposes (but only if higher than the rent then payable pursuant to this Lease). Tenant shall also be entitled to recover from the condemning authority any award or compensation attributable to the taking or purchase of Tenant's property, chattels or trade fixtures, or attributable to Tenant's relocation expenses.

48.6 ASSIGNMENT AND SUBLETTING

Notwithstanding anything to the contrary contained in Paragraph 16 of the Lease:

(a) The time period for Landlord to act pursuant to Paragraph 16(e) (Tenant's written request for a consent shall be deemed the first (1st) notice) shall be not more than ten (10) business days after receipt by Landlord of the last of the information provided for in Paragraph 16(c). If Landlord fails to act pursuant to Paragraph 16(e) within three (3) days after receiving a second (2nd) notice from Tenant, Landlord shall be deemed to have granted its approval.

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(b) Occupancy of all or part of the Premises by parent, subsidiary, or affiliated companies of Tenant or Tenant's parent or Tenant's subsidiary shall not be deemed an assignment or subletting provided that such parent, subsidiary or affiliated companies were not formed as a subterfuge to avoid the obligation of this Paragraph 48.6. Furthermore, without limiting the generality of the foregoing, Tenant may assign this lease at any time, or sublease all or part of the Premises, without receipt of Landlord's consent, to any entity which acquires all or part of Tenant, or which is acquired in whole or in part by Tenant, or which is controlled directly or indirectly by Tenant, or which entity controls, directly or indirectly, Tenant (any such party hereinafter referred to as an "affiliate"), or which owns or is owned by the affiliate, so long as such transaction was not entered into as a subterfuge to avoid the obligations and restrictions of this Lease. In connection with any transaction of the type described in this Paragraph 48.6(b):

(i) Any sublease shall be subject to all of the terms and provisions of this Lease and shall be terminable by Landlord upon the expiration or any earlier termination of this Lease, including a termination by mutual agreement of Landlord and Tenant.

(ii) In connection with any such assignment, the assignee shall, within ten (10) days after receipt of written request from Landlord, execute and deliver to Landlord a written assumption of the obligations of Tenant pursuant to this Lease accruing from and after the effective date of the assignment and in form and substance reasonably satisfactory to Landlord.

(iii) No such assignment or subletting shall release Tenant from any of the obligations of the tenant hereunder, whether accruing prior to or subsequent to the effective date of such transaction.

(iv) No such transaction shall be accompanied by a change in use from that permitted pursuant to Paragraph 11 of the Basic Lease Provisions.

(v) Within ten (10) days after the effective date of such transaction, Tenant shall notify Landlord in writing of such occurrence, the effective date thereof, the name of the assignee or subtenant, any change in the addresses for notice pursuant to this Lease and the facts which bring such transaction within the scope of this Paragraph 48.6(b).

(c) As a condition to Landlord's consent to any assignment or sublease, Tenant shall pay Landlord, as additional Basic Annual Rent, fifty percent (50%) of any Profits (as defined below) actually received by Tenant pursuant to such approved assignment or sublease. Whenever Landlord is entitled to share in any excess income resulting from an assignment or sublease of the Premises, the following shall constitute the definition of "Profits": the gross revenue received from the assignee or sublessee during the sublease term or during the assignment, with respect to the space covered by the sublease or the assignment ("Transferred Space") less: (a) the gross revenue paid to Landlord by Tenant during the period of the sublease term or during the assignment with respect to the Transferred Space; (b) any improvement allowance or other economic concession (planning allowance, moving expenses, etc.), paid by Tenant to sublessee or assignee; (c) brokers' commissions; (d) attorneys' fees; or (e) costs of advertising the space for sublease or assignment; provided, however, under no circumstance shall Landlord be paid any Profits until Tenant has recovered all the items set forth in subparts (a) through (e) for such Transferred Space, it being understood that if in any year the gross revenues, less the deductions set forth in subparts (a) through (e) above (the "Net Revenues"), are less than any and all costs actually paid in assigning or subletting the affected space (collectively "Transaction Costs"), the amount of the excess Transaction Costs shall be carried over to the next year and then deducted from Net Revenues with the procedure repeated until a Profit is achieved.

48.7 INTENTIONALLY OMITTED

48.8 NOTICE; CUMULATIVE REMEDIES

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All references to "notice" shall mean written notice given in compliance with Paragraph 24 of this Lease. No remedy or election provided, allowed or given by any provision of this Lease shall be deemed exclusive unless so indicated, but shall, whenever possible, be cumulative with all other remedies in law or equity.

48.9 EXPANSION SPACE

Tenant shall expand the size of the Premises to include the balance of the space on the sixth (6/th/) floor of the Building as of the date upon which such space is delivered to Tenant by Landlord (the "Expansion Space Commencement Date") pursuant to the terms hereof. The parties estimate that the Expansion Space Commencement Date shall be September 6, 2001 (the "Target Date"). In connection therewith, it is understood and agreed that Landlord may deliver the Expansion Space to Tenant as early as three (3) months prior to the Target Date or as late as six (6) months after the Target Date.

(a) Lease of Expansion Space. Landlord hereby leases to Tenant, and Tenant

hereby hires from Landlord, upon the terms and conditions set forth in this Paragraph 48.9, that certain space in the Building located on the sixth (6th) floor which contains two thousand six hundred eighty-two (2,682) square feet of Rentable Area (the "Expansion Space") as depicted on Exhibit "A-4" attached hereto and made a part hereof. The term of the Lease with respect to the Expansion Space shall commence upon the Expansion Space Commencement Date and shall terminate on the same date as for the Premises. Within thirty (30) days following the Expansion Space Commencement Date, Landlord and Tenant shall execute a supplemental agreement, in letter form, setting forth the Expansion Space Commencement Date. All terms and conditions of the Lease shall apply to the Expansion Space as modified by this Amendment. The Premises and Expansion Space are sometimes hereinafter referred to as the Premises.

(b) Payment of Rent. Basic Annual Rent for the Expansion Space shall be as

follows:

(i) From and after the earlier of (A) ninety (90) days following the Expansion Space Commencement Date or (B) upon Tenant's occupancy of the Expansion Space for the conduct of its usual business activities, Basic Annual Rent for the Expansion Space shall be at the same rate per square foot of Rentable Area as is then and thereafter applicable to the Premises.

(ii) In addition, Tenant shall continue to pay all Additional Rent provided for in the Lease and after the Expansion Space Commencement Date such Additional Rent shall be based upon the Rentable Area of the Premises including the Expansion Space or 19,048 square feet of Rentable Area.

(iii) Tenant shall, on or before the Expansion Space Commencement Date, provide Landlord with an additional Security Deposit in the amount of \$3,555.67 to bring the total Security Deposit to \$59,348.80.

(c) Improvements to the Expansion Space. Landlord shall have no

construction obligation concerning the Expansion Space and Tenant shall accept the Expansion Space in its then current "AS-IS" condition. The foregoing notwithstanding, in the event that within six (6) months of the Expansion Space Commencement Date, Tenant elects to undertake renovations to the Expansion Space, Landlord shall reimburse Tenant for its expenses incurred directly in connection with the physical renovation of the Expansion Space in an amount not to exceed \$10,825.00 (based upon 2,165 square feet of Usable Area and an allowance of \$5.00 per square foot) (the "Allowance"). The Allowance shall be paid in whole or in part based upon paid receipts provided to Landlord by Tenant for improvements to the Expansion Space together with such other reasonable documentation as may be requested by Landlord.

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(d) Modifications to Original Lease. From and after the Expansion Space

Commencement Date, Tenant shall hold and occupy the Premises including the Expansion Space upon all of the terms and conditions of the Lease as hereby amended, except that:

(i) The following Basic Lease Provisions of the Lease shall be amended to read, in their entireties, as follows:

- "2. Rentable Area: 19,048 square feet
- 3. Expense Percentage: 6.4023%
- 4. Initial Basic Annual Rent: \$476,200.00 (\$25.00 per square foot of Rentable Area)
- 5. Initial Monthly Basic Rent Installments: \$39,683.33 (approximately \$2.08 per square foot of Rentable Area)
- 9. Security Deposit: \$59,348.80

All portions of the Basic Lease Provisions of the Lease not specifically restated in this Paragraph shall remain in their original forms set forth in the Lease, and shall apply, except where superseded by the provisions of this Paragraph 48.9, to both the Premises and the Expansion Space or pursuant to the Lease."

(ii) Basic Lease Provisions 2, 3, 4, 5, 8 and 9 of the Lease as originally drafted shall have no application to the Expansion Space.

(iii) The Basic Annual Rent and Additional Rent with respect to the Expansion Space shall be as provided in Paragraph (b) above.

48.10 NON-DISTURBANCE

(a) Concurrently with their execution of this Lease, Landlord and Tenant shall execute and acknowledge a subordination, non-disturbance and attornment agreement in the form (the "Subordination Agreement") attached hereto as Exhibit "G." Promptly following the execution and delivery of this Lease, Landlord shall submit the Subordination Agreement to the ground lessors, mortgage holders or lien holders for the Building (each a Superior Mortgagee") along with an executed copy of this Lease. Landlord will use good faith efforts to provide Tenant with the Subordination Agreement fully executed by such Superior Mortgagee. Said Subordination Agreement shall be in recordable form and may be recorded at Tenant's election and expense.

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EXHIBIT "A-1"
FLOOR PLAN(S) OF PREMISES

[FLOOR PLAN OF PREMISES APPEARS HERE]

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EXHIBIT "A-2"

PLOT PLAN OF BUILDING

[PLOT PLAN OF BUILDING APPEARS HERE]

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EXHIBIT "A-3"

RENTABLE AREA

The term "Rentable Area" as used in the lease to which this exhibit is attached (the "Lease") shall mean:

As to each floor of the Building on which the entire space rentable to tenants is or will be leased to one tenant (hereinafter referred to as a "Single Tenant Floor"), Rentable Area attributable to such lease shall be the total of (i) the entire area bounded by the inside surface of the four exterior glass walls (or the inside surface of the permanent external wall(s) where there is no glass) on such floor, including, all areas used for elevator lobbies, corridors, special stairways, or elevators, rest rooms, mechanical rooms, electrical rooms and telephone closets, without deduction for columns and other structural portions of the Building or vertical penetrations that are included for the special use of the tenant of such floor, (ii) a pro rata portion of any Building lobby and (iii) any covered or enclosed common facilities which constitute a part of the Building and which are maintained by Landlord for the common benefit of all tenants of the Building and the area occupied by any mechanical, heating, ventilating and air conditioning equipment which serves the Building but which is located outside thereof which bears the same proportion to the total area of such common facilities as the Rentable Area of such Single Tenant Floor bears to the Rentable Area of the Building (excluding such common facilities), but excluding one half of the area contained within the exterior walls of the Building stairs, and excluding fire towers, vertical ducts, elevator shafts, flues, vents, stacks and pipe shafts.

As to each floor of the Building on which space is or will be leased to more than one tenant, Rentable Area attributable to each such lease shall be the total of (i) the entire area included within the premises covered by such lease, being the area bounded by the inside surface of any exterior glass walls (or the inside surface of the permanent exterior wall(s) where there is no glass) of the Building bounding such premises, the exterior of all walls separating such premises from any public corridors or other public areas on such floor, and the centerline of all walls separating such premises from other areas leased or to be leased to other tenants on such floor, (ii) a pro rata portion of the area covered by the elevator lobbies, corridors, rest rooms, mechanical rooms, electrical rooms and telephone closets situated on such floor, (iii) a pro rata portion of the Building lobby, and (iv) that portion of the covered or enclosed common facilities which constitute a part of the Building and which are maintained by Landlord for the common benefit of all tenants of the Building and the area occupied by any mechanical, heating, ventilating and air conditioning equipment which serves the Building but which is located outside thereof which bears the same proportion to the total area of such common facilities as the Rentable Area of such premises bears to the Rentable Area of the Building (excluding such common facilities), but excluding one half of the area contained within the exterior walls of the Building stairs, and excluding fire towers, vertical ducts, elevator shafts, flues, vents, stacks and pipe shafts.

For the purposes of paragraphs (a) and (b) above, there shall be included in the covered or enclosed common facilities which constitute a part of the Building the central heating, ventilating and air conditioning plant which services the Building and any areas which would have been included in the Rentable Area of any floor of the Building if any architectural recesses on such floor had not been designed and, in lieu thereof, the exterior walls of the Building had been extended to the exterior walls of adjacent floors which have no recesses.

The Rentable Area of the Building shall be deemed to be 338,070 square feet for purposes of this Lease. The ancillary retail area of the Building shall be deemed to be 24,893 square feet of Rentable Area for purposes of this Lease. Therefore, exclusive of the ancillary retail area, the Building shall be deemed to be 313,177 square feet of Rentable Area. The Rentable Area contained within the Premises let pursuant to the Lease initially shall be the number of square feet set forth in Item 2 of the Basic Lease Provisions.

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Prior to the Commencement Date, and from time to time thereafter at Landlord's option, Landlord's architect may determine and certify in writing to the Tenant and Landlord the actual Rentable Area of the Premises which such determinations and certifications shall be conclusive, and thereon Tenant's Expense Percentage and Basic Annual Rent under the Lease shall be adjusted accordingly.

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EXHIBIT "A-4"
Expansion Space

[CHART]

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EXHIBIT "B"
INTENTIONALLY OMITTED

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EXHIBIT "C"

RULES AND REGULATIONS

1. The sidewalks, entrances, lobby, passages, courts, elevators, vestibules, stairways, corridors and halls of the Building shall not be obstructed or used for any purpose other than ingress and egress. The halls, passages, entrances, lobby, elevators, stairways, balconies and roof are not for the use of the general public, and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence, in the judgment of Landlord, shall be prejudicial to the safety, character, reputation and interests of the Building and its tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom Tenant normally deals only for the purpose of conducting its business on the Premises (such as clients, customers, office suppliers and equipment vendors, and the like) unless such persons are engaged in illegal activities in the Building. Neither Tenant nor any employee of Tenant shall go upon the roof of the Building without the prior written consent of Landlord.

2. No awnings or other projections shall be attached to the outside walls of the Building. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises other than Landlord's standard blinds. All electric ceiling fixtures hung in offices or spaces along the perimeter of the Building must be fluorescent, of a quality, type, design and bulb color approved by Landlord. Neither the interior nor the exterior of any windows shall be coated or otherwise sunscreensed without the written consent of Landlord. No hanging planters, television sets or other objects shall be attached to or suspended from the ceiling by any tenant without the prior written consent of Landlord.

3. Except as provided in Paragraph 30 of the Lease, no sign, advertisement, notice or handbill shall be exhibited, distributed, painted or affixed by Tenant on, about or from any part of the Premises or the Building without the prior written consent of Landlord. If Landlord shall have given such consent at the time, whether before or after the execution of the Lease, such consent shall in no way operate as a waiver or release of any of the provisions hereof or of the Lease, and shall be deemed to relate only to the particular sign, advertisement or notice so consented to by Landlord and shall not be construed as dispensing with the necessity of obtaining the specific written consent of Landlord with respect to each and every such sign, advertisement or notice other than the particular sign, advertisement or notice, as the case may be, so consented to Landlord. In the event of the violation of the foregoing by Tenant, Landlord may remove or stop same without any liability, and may charge the expense incurred in such removal or stoppage to Tenant. Interior signs on doors and directory tablets shall be inscribed, painted or affixed for Tenant by Landlord at Tenant's expense, and shall be of a size, color, material and style acceptable to Landlord. The directory tablet will be provided exclusively for the display of the names and locations of tenants only and Landlord reserves the right to exclude any other names therefrom. Nothing may be placed on the exterior of corridor walls or corridor doors other than Landlord's standard lettering.

4. The windows and doors that reflect or admit light and air into halls, passageways or other public places in the Building shall not be covered or obstructed by Tenant, nor shall any bottles, parcels or other articles be placed on the windowsills. Tenant shall see that the windows, transoms and doors of the Premises are closed and securely locked before leaving the Building and must observe strict care not to leave windows open when it rains. Tenant shall exercise extraordinary care and caution that all water faucets or water apparatus are entirely shut off before Tenant or Tenant's employees leave the Building, and that all electricity, gas or air shall likewise be carefully shut off, so as to prevent waste or damage. Tenant shall cooperate with Landlord in obtaining maximum effectiveness of the cooling system by closing blinds when the sun's rays fall directly on the windows of the Premises. Tenant shall not tamper with or change the setting of any thermostats or temperature

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control valves installed by Landlord. All lights in Tenant's premises shall be turned off at night and on weekends and holidays when such premises are not in use.

5. The toilet rooms, water and wash closets and other plumbing fixtures shall not be used for any purpose other than those for which they were constructed, and no sweepings, rubbish, rags, or other substances shall be thrown therein. All damages resulting from any misuse of the fixtures shall be borne by the tenant who, or whose subtenants, assignees or any of whose servants, employees, agents, visitors or licensees shall have caused the same.

6. Tenant shall not mark, paint, drill into, or in any way deface any part of the Premises or the Building. No boring, cutting or stringing of wires or laying of linoleum or other similar floor coverings or painting or wood staining of fixtures or equipment shall be permitted, except with the prior written consent of Landlord and only as Landlord may direct. The location of telephone boxes, call boxes and other equipment affixed to any premises shall be subject to Landlord's approval.

7. No bicycles, vehicles, birds or animals of any kind, other than those assisting handicapped persons, shall be brought into or kept in or about the Premises, and no cooking shall be done or permitted by Tenant in the Premises, except that the preparation of coffee, tea, hot chocolate and similar items for Tenant and its employees shall be permitted provided power shall not exceed that amount which can be provided by a 30 amp circuit. Tenant shall not cause or permit any unusual or objectionable odors to be produced or permeate from its Premises.

8. The Premises shall not be used for manufacturing or for the storage of merchandise except as such storage may be incidental to the permitted use of the Premises. Tenant shall not occupy or permit any portion of the Premises to be occupied as an office for a public stenographer or typist, or for the manufacture or sale of liquor, narcotics, or tobacco (including a cigarette vending machine for use by Tenant's employees) in any form, or as a medical office, or as a barber or manicure shop, or as an employment bureau without the express prior written consent of Landlord. Tenant shall not engage or pay any employees on the Premises except those actually working for Tenant on the Premises nor advertise for laborers giving an address at the Premises. The Premises shall not be used for lodging or sleeping or for any immoral or illegal purposes.

9. Tenant shall not make, or permit to be made any unseemly or disturbing noises or disturb or interfere with occupants of this or neighboring buildings or premises or those having business with them, whether by the use of any musical instrument, radio, phonograph, unusual noise, or in any other way. Tenant shall not throw anything out of doors, windows or skylights or down the passageways.

10. No Tenant, or subtenant or assignee of Tenant, if any, nor any of their servants, employees, agents, visitors or licensees shall at any time bring or keep upon any premises any inflammable, combustible or explosive fluid, chemical or substance except common office products in reasonable quantity (e.g., copy toner).

11. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by Tenant, nor shall any changes be made in existing locks or the mechanisms thereof. Tenant must, upon the termination of its tenancy, restore to Landlord all keys to stores, offices, and toilet rooms, either furnished to or otherwise procured by Tenant, and in the event of the loss of keys so furnished, Tenant shall pay to Landlord the cost of replacing the same or of changing the lock or locks opened by any lost key if Landlord shall deem it necessary to make such changes.

12. All removals, and the carrying in or out of any safes, freight, furniture, and bulky matter of any description must take place during the hours which Landlord shall determine from time to time, and shall not be done without the express written consent of Landlord. The moving of safes and other fixtures and bulky matter of any kind must be done upon previous notice to the manager of the Building and under such person's supervision, and

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the persons employed by Tenant for such work must be acceptable to Landlord. Landlord reserves the right to inspect all safes, freight and other bulky articles to be brought into the Building and to exclude from the Building all safes, freight and other bulky articles which violated any of these Rules and Regulations or the Lease. Landlord reserves the right to prescribe the weight and position of all safes, which must be placed upon supports approved by Landlord to distribute the weight. No tenant shall place a load upon any floor which exceeds the load per square foot which such floor was designed to carry and which is allowed by law. Tenant shall be responsible for all damages occasioned by its movement into or out of the Building of any item described in this paragraph. All safes, freight and other bulky articles shall be taken into and removed from the Premises solely on the freight elevator of the Building and the freight loading and unloading areas adjacent thereto.

13. Tenant shall not purchase spring water, ice, towels, janitorial or maintenance or other like services from any person or persons not approved by Landlord and only at hours and under regulations fixed by Landlord.

14. Landlord shall have the right to prohibit any advertising by Tenant which, in Landlord's opinion, tends to impair the reputation of the Building or the desirability of the Building as an office location. Upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

15. Landlord reserves the right to exclude from the Building from 6:00 p.m. to 8:00 a.m. on weekdays, after 12:00 noon on Saturdays and at all hours on Sunday and legal holidays all persons who are not known to the Building personnel and who do not present a pass to the Building approved by Landlord. Landlord will furnish passes to persons for whom Tenant requests the same in writing. Tenant shall be responsible for all persons for whom it requests passes and shall be liable to Landlord for all acts of such persons. Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of an invasion, mob riot, public excitement or other circumstances rendering such action advisable in Landlord's good faith, reasonable opinion, Landlord reserves the right without any abatement of rent to require all persons to vacate the Building and to prevent access to the Building during the continuance of the same for the safety of Tenant and the protection of the Building and the property in the Building, and no such action by Landlord shall entitle Tenant to any abatement of rent. Tenant shall observe all security regulations issued by Landlord and shall comply with all instructions and/or directions of Building personnel.

16. Any persons employed by any tenant to do janitorial work shall, while in the Building and outside of the Premises, be subject to and under the control and direction of the manager of the Building (but not as an agent or servant of such manager or of Landlord), and such tenant shall be responsible for all acts of such persons.

17. All doors opening onto public corridors shall be kept closed, except when in use for ingress and egress. Tenant shall not prop open or block open entrance doors to the Building, service doors to the Building or elevator doors.

18. The requirements of tenants will be attended to only upon application to the Office of the Building. Employees of Landlord shall not perform any work outside of their regular duties except under special instructions from Landlord.

19. Canvassing, soliciting, peddling and vending in the Building are prohibited and Tenant shall report any such activity to Landlord and otherwise cooperate to prevent the same. It is understood and agreed that Landlord may prohibit access to the Building by any solicitors, peddlers or vendors, including without limitation, food vendors at Landlord's discretion. Landlord reserves the right unto itself to license Building access to any such solicitors, peddlers and vendors.

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20. All office equipment of any electrical or mechanical nature shall be placed by Tenant in the Premises in settings approved by Landlord to absorb or prevent any vibration, noise and annoyance.

21. No air-conditioning unit or other similar apparatus shall be installed or used by Tenant without the written consent of Landlord.

22. There shall not be used in any space, or in the elevators and public halls of the Building, either by Tenant or others, any hand trucks except those equipped with rubber tires and rubber side guards.

23. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the prior written consent of Landlord.

24. The scheduling of any tenant move-ins shall be subject to the reasonable discretion of Landlord.

25. If Tenant desires telephone or telegraph connections, Landlord will direct electricians as to where and how the wires are to be introduced. No boring or cutting for wires or otherwise shall be made without directions from Landlord.

26. The term "personal goods or services vendors" as used herein means persons who periodically enter the Building for the purpose of selling goods or services to Tenant, other than goods or services which are used by Tenant only for the purpose of conducting its business on the Premises. "Personal goods or services" include, but are not limited to, drinking water and other beverages, food, barbering services and shoe shining services. Landlord reserves the right to prohibit personal goods and services vendors from access to the Building except upon such reasonable terms and conditions, including but not limited to the payment of a reasonable fee and provision for insurance coverage, as are related to the safety, care and cleanliness of the Building, the preservation of good order therein, and the relief of any financial or other burden on Landlord occasioned by the presence of such vendors or the sale by them of personal goods or services to Tenant or its employees. If necessary for the accomplishment of these purposes, Landlord may exclude a particular vendor entirely or limit the number of vendors who may be present at any one time in the Building.

27. It shall be the responsibility of each tenant to provide its employees with keys to its premises. Landlord will under no circumstances open any premises for any tenant or its employees.

28. Smoking or carrying a lighted cigar, cigarette or pipe anywhere in the interior of the Building is prohibited. Smoking is also prohibited in the common areas of the Building, except for those specific areas designated in writing by Landlord. The location of such areas shall be determined by Landlord in its sole discretion. Landlord hereby reserves the right from time to time to designate substitute smoking areas within the common areas in its sole discretion.

29. No waiver of any rule or regulation by Landlord shall be effective unless expressed in writing and signed by Landlord. Landlord may waive any one or more of these rules for the benefit of a particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of such rules in favor of any other tenant or tenants, nor prevent Landlord from thereafter enforcing any such rules against any or all tenants of the Building.

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EXHIBIT "D"

TENANT'S CERTIFICATE

One Town Center Associates
695 Town Center Drive
Suite 600
Costa Mesa, CA 92626

Attn: Property Management

Gentlemen:

The undersigned does hereby state, declare, represent and warrant as follows:

1. The undersigned tenant ("Tenant") has entered into a certain lease dated _____, 200_ (the "Lease") with One Town Center Associates, a California general partnership ("Landlord"). The Lease covers certain premises commonly known as Suite ____, 695 Town Center Drive, Costa Mesa, CA 92626 (the "Building") and more particularly described in the Lease (the "Premises").

2. The Lease is in full force and effect and has not been modified, amended, supplemented or changed, except as set forth, if at all, on Exhibit "A" attached hereto and all provisions of the Lease and the modifications, amendments, supplements or changes set forth on Exhibit "A" attached hereto, if any, are hereby ratified by Tenant. If no amendments are described on Exhibit "A," then Tenant certifies that there are no amendments, modifications, supplements or changes to the Lease. Such Lease and any amendments described on Exhibit "A" constitute the entire agreement between Landlord and Tenant as to the leasing of the Premises.

3. The commencement date of the Lease was _____, 19__ (the "Commencement Date"). Basic Annual Rent and Additional Rent in the full amounts required by the Lease are payable from the Commencement Date except as set forth, if at all, on Exhibit "A." Basic Annual Rent and Additional Rent have been paid through _____.

4. Tenant has accepted possession of the Premises and is now in occupancy thereof.

5. The terms of the Lease to be performed by Landlord through the date hereof have been fully satisfied, including without limitation, all improvement work to be performed by Landlord with respect to the Premises. Tenant acknowledges that such work has been completed in all respects. Landlord has fulfilled all of its duties of an inducement nature, and all required contributions by Landlord to Tenant on account of improvements by Tenant to the Premises have been paid and received.

6. As of this date there are no defaults by Landlord pursuant to the Lease. Tenant has no defenses with respect to its obligations under the Lease and claims no setoff or counterclaim against Landlord.

7. Basic Annual Rent and Additional Rent have not been paid in advance of the due dates therefor except as set forth, if at all, on Exhibit "A." A security deposit in the amount of \$_____ is required by the Lease and has been deposited with Landlord. Basic Annual Rent and Additional Rent due through the date hereof have been paid in full except as set forth, if at all, on Exhibit "A."

8. Tenant has not assigned its interest in the Lease or sublet the Premises or any portion thereof except as set forth, if at all, on Exhibit "A."

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9. Tenant is not in violation of any of its obligations nor in breach of any of its covenants concerning the use of hazardous substances as provided for in the Lease.

10. Tenant acknowledges that the Lease is subject to an assignment of Landlord's interest therein to Landlord's lender with respect to the Building, _____ ("Lender"). In connection with such assignment, Tenant acknowledges and agrees that:

(a) Lender may rely upon the statements contained in this Certificate to the same extent as if this Certificate were addressed to Lender.

(b) No amendments, modifications, supplements or changes to the Lease shall be effective without the written consent of Lender.

(c) Upon receipt of written notice from the Lender, Tenant agrees to make all payments of Basic Annual Rent and Additional Rent thereafter coming due to Lender.

(d) Tenant shall, in writing, notify Lender of any defaults by Landlord pursuant to the Lease which would entitle Tenant to cancel the Lease or to abate the rent payable thereunder. Such notice to Lender shall be given at the same time as notice is given to Landlord.

Dated: _____, 200__

TENANT:

By: _____

Title: _____

By: _____

Title: _____

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EXHIBIT "A"

1. Amendments, modifications, supplements to Lease: _____

(If None, so state)

2. Rent Abatement: _____

(If None, so state)

3. Prepaid Rent: _____

(If None, so state)

4. Rent in Default: _____

(If None, so state)

5. Assignments and sublettings: _____

(If None, so state)

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EXHIBIT "E"

PARKING AGREEMENT

Subject to the parking entitlements, if any, set forth in the lease to which this Parking Agreement is attached (the "Lease"), and subject to availability, and further subject to compliance with the following Rules and Regulations, so long as the Lease remains in effect, Tenant or employees of Tenant shall be entitled, on a non-exclusive basis, to purchase parking contracts for spaces in the Building Parking Structure in an amount as determined by Landlord. The Building Parking Structure is depicted on Exhibit "A-2." All or part of any unreserved or unassigned parking spaces may be assigned to, made available to, or reserved by Landlord for other tenants or users of the Building, if Landlord determines that such action is necessary for orderly and efficient parking. Tenant shall pay a charge for the use of such parking contracts at the monthly rental rate established for same from time to time by Landlord or the Building Parking Structure operator. Tenant may validate visitor parking by such method(s) as Landlord or Landlord's parking operator may approve, at the validation rate from time to time generally applicable to visitor parking. Landlord expressly reserves the right to redesignate or modify any portion of the Building Parking Structure for other uses or to any extent.

The parking spaces hereunder shall be provided on an unreserved "first-come, first-served" basis. Tenant acknowledges that Landlord has or may arrange for the Building Parking Structure to be operated by an independent contractor, not affiliated with Landlord. In such event, Tenant acknowledges that Landlord shall have no liability for claims arising through acts or omissions of such independent contractor. Landlord shall have no liability whatsoever for any damage to property or any other items located in the Building Parking Structure, nor for any personal injuries or death arising out of any matter relating to the Building Parking Structure, and in all events, Tenant agrees to look first to its insurance carrier and to require that Tenant's employees look to their respective insurance carriers for payment of any losses sustained in connection with any use of the Building Parking Structure. Tenant hereby waives on behalf of its insurance carriers all rights of subrogation against Landlord or Landlord's agents.

All persons utilizing the Building Parking Structure shall comply with this Parking Agreement, including any parker identification system(s) established by Landlord's parking operator. The following Rules and Regulations are in effect until Landlord notifies Tenant of any change. Landlord reserves the right to modify and/or adopt such other reasonable and non-discriminatory rules and regulations for the Building Parking Structure as it deems necessary. Landlord may refuse to permit any person who violates this Parking Agreement to park in the Building Parking Structure. Any violation of this Parking Agreement shall subject the violator's car to removal from the Building Parking Structure at the violator's expense. Upon the termination of any person's parking privileges under this Parking Agreement, Tenant shall cause all parker identification devices supplied to such person by Landlord to be returned to Landlord.

RULES AND REGULATIONS

1. Building Parking Structure hours will be from 6:00 a.m. to 2:30 a.m.
2. Cars must be parked entirely within the stall lines painted on the floor.
3. All directional signs and arrows must be observed.
4. The speed limit shall be 5 miles per hour.
5. Parking is prohibited:
 - (a) in areas not striped for parking,
 - (b) in aisles,
 - (c) where "no parking" signs are posted,

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- (d) on ramps,
- (e) in parking spaces marked as "reserved" for tenants other than Tenant,
- (f) in cross hatched areas, or
- (g) in such other areas as may be designated by Landlord or Landlord's parking operator.

6. Parking stickers or any other device or form of identification supplied by Landlord shall remain the property of Landlord. Such parking identification devices must be displayed as requested and may not be mutilated in any manner. The serial number of the parking identification device may not be obliterated. Devices are not transferable and any device in the possession of an unauthorized holder will be void. There will be a replacement charge payable by Tenant or a person designated by Tenant equal to the amount posted from time to time by Landlord for loss of any parking sticker.

7. The monthly charge for rental of a parking space shall be payable in advance on or prior to the first day of each month. Failure to do so will automatically cancel parking privileges and a late charge at the rate charged by Landlord from time to time shall be due. No deductions or allowances from the monthly charge will be made for days a parker does not use the parking space rented by him or her.

8. Landlord's parking operator and its employees are not authorized to make or allow any exceptions to these Rules and Regulations.

9. Every parker is required to park and lock his or her own car. All responsibility for damage to cars or persons is assumed by the parker.

10. Loss or theft of parking identification devices from automobiles shall be reported to the Landlord's parking operator immediately, and a lost or stolen report must be filed by the customer at that time. Any parking identification device reported lost or stolen found on any unauthorized car will be confiscated and the illegal holder will be subject to prosecution. Lost or stolen devices found by a parker must be reported to Landlord's parking operator immediately to avoid confusion.

11. No more than one vehicle may be parked in any one parking space. Washing, waxing, cleaning or servicing of any vehicle by a parker and/or his or her agents is prohibited.

12. Landlord and Landlord's parking operator reserve the right to refuse the sale of monthly stickers or other parking identification devices to any person who willfully refuses to comply with these Rules and Regulations and all applicable city, state or federal ordinances, laws or agreements.

13. Tenant shall acquaint all persons to whom Tenant assigns parking spaces with these Rules and Regulations.

14. Notwithstanding anything in this Parking Agreement to the contrary, persons who desire to rent parking spaces in the Building Parking Structure shall be required to pay a \$25.00 deposit for each magnetic parking card issued to them by Landlord. Such deposit shall be paid at the time the parking card is issued. Such deposit shall be forfeited if the parking card is lost. Such deposit shall be returned, without interest, at the time each such person ceases utilizing the parking space provided by Landlord upon surrender of such person's parking card. Landlord reserves the right to charge an amount in excess of the \$25.00 deposit to replace lost parking cards, if such increase becomes necessary in Landlord's reasonable judgment to prevent creation of a so-called "black market" in parking cards. Landlord shall post notices of any such increase(s).

15. Handicapped and visitor stalls shall be used only by handicapped persons or visitors, as applicable.

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16. In the event that, from time to time, the Building Parking Structure is renovated or replaced, in whole or in part, Landlord shall have the right to reasonably relocate Tenant's parking privileges to other parking facilities within the vicinity of the Building on a temporary basis.

17. Parking on any driveways, access roads, turn-arounds and curbsides located throughout the Building and the common areas is strictly prohibited. Landlord shall have the right to cause any vehicles which are parked or otherwise left unattended in such areas to be towed away at the vehicle owner's expense.

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EXHIBIT "F"

SUBLEASE

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Landlord's	Tenant's
Initials	Initials
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EXHIBIT "G"

NON-DISTURBANCE AGREEMENT

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

RESOURCES CONNECTION LLC
695 Town Center Drive
Suite 600
Costa Mesa, CA 92626
Attn: Steve Giusto

Loan No.: 157588

NON-DISTURBANCE
AND ATTORNMENT AGREEMENT

THIS NON-DISTURBANCE AND ATTORNMENT AGREEMENT (this "Agreement") is made and entered into as of the 26th day of March, 2001 between Lincoln National Life Insurance Company, an Indiana corporation ("Beneficiary"), and RESOURCES CONNECTION LLC, a Delaware limited liability company ("Lessee"), with reference to the following facts and circumstances:

A. Beneficiary made a loan (the "Loan") to ONE TOWN CENTER ASSOCIATES, a California general partnership ("Lessor") secured by a deed of trust ("Deed of Trust") covering the property commonly known as the Imperial Bank Tower, Costa Mesa, California, which property is more particularly described on Exhibit "A" attached hereto and incorporated herein by this reference (the "Property"). Beneficiary shall also be deemed to include any lender who succeeds to the interest of Beneficiary hereunder and/or subsequently acquires title to the Property pursuant to a bankruptcy proceeding involving Lessor.

B. Lessee and Lessor have entered into a Lease dated as of January 1, 2001, covering a portion of the Property (the "Premises") as more particularly described therein (the "Lease").

C. The parties hereto each desire and hereby agree that in the event of a foreclosure of the Deed of Trust, or in the event of a sale in lieu of such foreclosure, or in the event that Beneficiary directly or indirectly becomes the new landlord of the Property, Lessee shall attorn to Beneficiary, and Beneficiary shall not disturb or terminate Lessee's interest in the Lease, subject to and upon the terms and conditions more particularly set forth herein.

NOW, THEREFORE, IN CONSIDERATION of the foregoing, and the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Acknowledgement and Agreement by Lessee. Lessee represents, warrants, -----
covenants, acknowledges and agrees that:

(a) In the event Beneficiary notifies Lessee and demands that Lessee pay its rent and all other sums due under the Lease to Beneficiary, Lessee shall pay its rent and all other sums due under the Lease directly to Beneficiary or as otherwise required pursuant to such notice, without the obligation to inquire as to the authority of Beneficiary to make such demand.

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(b) Lessee shall send a copy of any notice or statement claiming a default by Landlord under the Lease to Beneficiary at the same time such notice or statement is sent to Lessor.

(c) In the event of any act or omission by Lessor which would give Lessee the right, either immediately or after the lapse of time, to terminate the Lease or to claim a partial or total eviction, Lessee will not exercise any such right until: (i) it has given written notice of such act or omission to Beneficiary, and (ii) the same period of time as provided Lessor under the Lease to cure such act or omission shall have elapsed following such notice to Beneficiary. Lessee will accept cure of any Lease default by Beneficiary as though Beneficiary is the Lessor under the Lease.

(d) This Agreement satisfies any condition or requirement in the Lease relating to the granting of a non-disturbance agreement by Beneficiary.

(e) The Lease constitutes the full and entire agreement between Lessor and Lessee with respect to the subject matter thereof, including, without limitation, the rights and obligations of Lessor and Lessee with respect to the Premises. The Lease has not been amended or modified in any manner, and there are no other agreements, or understandings, whether written or oral, respecting the Lease or the Premises.

2. Foreclosure and Sale; Attornment and Non-Disturbance. In the event of

foreclosure of the Deed of Trust securing the Loan, or upon a sale of the Property pursuant to the trustee's power of sale contained therein, or other proceeding for enforcement of the Deed of Trust, or upon a transfer of the Property by conveyance in lieu of foreclosure ("Enforcement Proceedings"), then, so long as Lessee complies with this Agreement and is not in default under any of the terms, covenants, or conditions of the Lease (after receipt of notice and the expiration of all applicable cure periods), the Lease shall not terminate, but shall continue in full force and effect as a direct lease between the succeeding owner of the Property and Lessee, upon and subject to all of the terms, covenants and conditions of the Lease for the remaining term of the Lease and any renewals thereof. After receipt by Lessee from Beneficiary or any applicable purchaser of the Property of written notice of any Enforcement Proceedings, Lessee will stop the payment of rent to Lessor and after receipt of written notice of transfer of title to the Property to Beneficiary or such purchaser, tender the applicable rent due and Lessee shall adhere to and accept any such successor owner as lessor under the Lease, and shall be bound by and perform all of the obligations imposed by the Lease. Beneficiary, or any such successor owner of the Property, will not disturb the possession of Lessee and will perform and be bound by all of the obligations imposed on the Lessor by the Lease; provided, however, that Beneficiary, or any purchaser at a trustee's or sheriff's sale or any successor owner of the Property shall not be (i) liable for any act or omission of a prior lessor (including, without limitation, Lessor); (ii) subject to any offsets or defenses which Lessee might have against any prior lessor (including, without limitation, Lessor); (iii) bound by any rent or additional rent which Lessee might have paid in advance to any prior lessor (including, without limitation, Lessor) for a period in excess of one month (provided that Beneficiary shall be bound by payments of operating expenses, taxes or insurance which are made on other than a monthly basis) which Lessee might have paid in advance to any prior lessor (including, without limitation, Lessor); (iv) bound by any agreement or modification of the Lease which alters any obligation(s) of Lessor or Lessee, or increases any obligation(s) of Lessor under the Lease, or shortens the term or alters the rent payable under the Lease, or adversely affects Lessor's rights under the Lease made without the written consent of Beneficiary or such other purchaser who has first, in writing, notified Lessee of its interest; or (v) be liable for any damages or other relief attributable to any latent or patent defects in construction with respect to the Premises. Notwithstanding anything to the contrary contained in the Lease, in the event that Beneficiary shall succeed to the interest of the Lessor in the Premises and for so long as Beneficiary, or an affiliate of Beneficiary shall own the Premises, Lessee agrees that Beneficiary's standards with respect to insurance carried on buildings owned by Beneficiary and for buildings similar to the Building shall be deemed to satisfy the requirements of the Lease as to the amount of insurance required to be carried by the Lessor thereunder. Lessee agrees, at the request of Beneficiary, if Beneficiary so elects, and in furtherance of Lessee's and Beneficiary's intent under this Section 2, to enter into any documentation reasonably requested by Beneficiary to evidence

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Lessee's reaffirmation of the Lease and Lessee's rights and obligations thereunder; provided, however, that notwithstanding the foregoing, the attornment of Lessee herein shall be effective and self-operative without the execution of any further instruments upon the purchaser's succeeding to the interest of Lessor under the Lease, whether by foreclosure, trustee's sale or other proceeding, deed in lieu of foreclosure or otherwise.

3. No Obligation of Beneficiary.

Beneficiary shall have no obligation to incur any liability with respect to the erection or completion of any improvements in which the Premises are located or for completion of the Premises or any improvements for Lessee's use and occupancy, required as of the date Beneficiary succeeds to the interest of Lessor under the Lease or the payment of any Tenant Improvement Allowance.

4. Conditional and Limited Amendments to the Lease.

(a) The following provisions (collectively "amendments") will be deemed to be part of the Lease and this Agreement and supersede any contrary portion of the Lease and this Agreement only if the Beneficiary becomes, and only for so long as the Beneficiary remains, either directly or indirectly, the landlord under the Lease or of the property:

(i) Under Paragraph 3(f) of the Lease, Beneficiary is not required to use certified public accountants to provide the required certificates but can use its internal accounting and auditing staff.

(ii) Under Paragraph 48.6, Assignment and Subletting, Beneficiary as Landlord will have five (5) business days not three (3) days following the second notice within which to respond.

(iii) The indemnities involving Hazardous Materials (as defined in the Lease) in Paragraphs 20(b) and 48.3 (or otherwise contained within the Lease) pertaining to Landlord and/or Tenant are deleted for all purposes. Provided, however, notwithstanding the foregoing, Beneficiary agrees to at all times operate the Building in accordance with and to comply with all Applicable Laws (as defined in the Lease) and to remedy and remediate in accordance with Applicable Laws all Hazardous Materials contamination not caused by or resulting from Tenant, its agents, contractors, employees or their respective activities at the Building which impairs or prevents Tenants use of or access to the Premises or the Building.

(iv) A new Section 5(c) is added to the Lease which shall provide as follows:

5(c) Subject to the other obligations and restrictions of this Article 5, Tenant in its use and occupancy of the Premises will comply with all Applicable Laws including but not limited to the Americans with Disability Act of 1990, 42 U.S.C. 12101 et seq. as amended

("ADA") and will so comply with ADA in connection with, any alterations or additions to the Premises performed by Tenant, its agents or contractors, and any Tenant employer-employee obligations or duties under ADA. Tenant for this purpose includes any assignee or subtenant of Tenant. This provision controls over any conflicting provision of this Lease.

5. Notices. All notices hereunder shall be deemed to have been duly given

if personally delivered, or mailed by commercial courier service, or by United States registered or certified mail, with return receipt requested, postage prepaid as follows:

Beneficiary: Lincoln National Life Insurance Company
c/o Lincoln Investment Management Inc.
200 East Berry Street
P.O. Box 2390
Fort Wayne, Indiana 46801

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Attn: Financial Services

Lessor: One Town Center Associates
3315 Fairview Road
Costa Mesa, California 92626
Attention: Center Tower Controller

With a copy to: One Town Center Associates
650 Town Center Drive, Suite 270
Costa Mesa, California 92626
Attention: Property Manager

Lessee: RESOURCES CONNECTION LLC
695 Town Center Drive
Suite 600
Costa Mesa, CA 92626
Attention: Steve Giusto

or at such other address as shall be given in writing to the parties hereto in accordance with this provision. Notice shall be deemed given two (2) business days from time of mailing, if mailed as provided in this paragraph.

6. Miscellaneous.

(a) This Agreement supersedes any inconsistent provision of the Lease.

(b) Nothing contained in this Agreement shall be construed to derogate from or in any way impair or affect the lien or provisions of the Deed of Trust or the priority of the lien or charge of the Deed of Trust over the Lease.

(c) Beneficiary shall have no obligations nor incur any liability with respect to any warranties of any nature whatsoever, whether pursuant to the Lease or otherwise, including, without limitation, any warranties respecting use, compliance with zoning, Lessor's title, Lessor's authority, habitability, fitness for purpose or possession. Lessee should rely solely on its own investigation with respect to such matters.

(d) In the event that the Beneficiary shall acquire title to the Premises or the Property, Beneficiary shall have no obligation, nor incur any liability, beyond Beneficiary's then equity interest, if any, therein, without regard to any liens or encumbrances on the Property and Lessee shall look exclusively to such equity interest of Beneficiary for the payment and discharge of any obligations imposed upon Beneficiary hereunder or under the Lease, and Beneficiary is hereby released and relieved of any personal liability hereunder and under the Lease.

(e) This Agreement shall inure to the benefit of the parties hereto, and their respective heirs, successors and permitted assigns; provided, however, that in the event of any assignment or transfer of the interest of Beneficiary, all obligations and liabilities of Beneficiary under this Agreement shall terminate, and thereupon all such obligations and liabilities shall be assumed by and the responsibility of the party to whom Beneficiary's interest is assigned or transferred; and provided further that the interest of Lessee under this Agreement may not be assigned or transferred without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, delayed or conditioned.

(f) This Agreement shall be governed by and construed in accordance with the laws of the State of California.

(g) Unless and until written demand is made by Beneficiary to Lessee in accordance with Section 1(a) hereof, all rents and other sums payable by Lessee under the Lease shall be payable to Lessor.

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(h) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(i) If any party commences an action against any of the other parties arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the losing party reasonable attorneys' fees and costs of such action.

(j) This Agreement shall not be amended, changed or modified in any way unless in writing executed by Lessee and Beneficiary. Lessee and Beneficiary shall not have waived or released any of their rights hereunder unless in writing and executed by Lessee and Beneficiary.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date hereof.

BENEFICIARY:

LINCOLN NATIONAL LIFE INSURANCE COMPANY,
c/o Lincoln Investment Management Inc.

By: _____
Its: _____

LESSEE:

RESOURCES CONNECTION LLC,
A Delaware limited liability company

By: _____
Its: _____

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State of _____
County of _____

On _____ before me, _____, personally
appeared _____,

/ / personally known to me - or

/ / proved to me on the basis of satisfactory evidence to be the person(s)
whose name(s) is/are subscribed to the within instrument and acknowledged to me
that he/she/they executed the same in his/her/their authorized capacity(ies),
and that by his/her/their signature(s) on the instrument the person(s), or the
entity upon behalf of which the person(s) acted,

WITNESS my hand and official seal.

State of _____
County of _____

On _____ before me, _____, personally
appeared _____,

/ / personally known to me - or

/ / proved to me on the basis of satisfactory evidence to be the person(s)
whose name(s) is/are subscribed to the within instrument and acknowledged to me
that he/she/they executed the same in his/her/their authorized capacity(ies),
and that by his/her/their signature(s) on the instrument the person(s), or the
entity upon behalf of which the person(s) acted,

WITNESS my hand and official seal.

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LIST OF SUBSIDIARIES

Name: Resources Connection LLC

Jurisdiction of Organization: Delaware

Names under which Resources Connection LLC does business:

Resources Connection LLC

Re:sources Connection LLC

RCTC LLC

RCTC

Resources Connection LLC of Delaware

Resources Connection LLC DBA RCTC

Resources Connection LLC, a limited liability company of Delaware

Name: Resources Connection Canada, Inc.

Jurisdiction of Organization: Ontario, Canada

Name: Resources Connection (HK) Limited

Jurisdiction of Organization: Hong Kong, People's Republic of China

Name: Resources Connection Taiwan

Jurisdiction of Organization: Taipei, Taiwan

Name: Resources Connection (UK) Ltd.

Jurisdiction of Organization: England and Wales, Great Britain

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our reports dated July 2, 2001 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.

/s/ PricewaterhouseCoopers LLP
Orange County, California
July 17, 2001