

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 8-K

## CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) January 25, 1999

DIGITAL SOLUTIONS, INC.  
(Exact name of Registrant as specified in charter)

New Jersey  
(State or other jurisdic-  
tion of incorporation)

0-18492  
(Commission  
File Number)

22-1899798  
(IRS Employer  
Identification No.)

300 Atrium Drive, Somerset, N.J.  
(Address of principal executive offices)

08873  
(Zip Code)

Registrant's telephone number, including area code (732) 748-1700

(Former name or former address, if changed since last report.)

## ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

Effective as of January 25, 1999, Digital Solutions, Inc. ("Digital or the "Company") consummated its acquisition of the TeamStaff Companies. As a result of the acquisition, the 10 TeamStaff Companies became wholly-owned subsidiaries of Digital.

The TeamStaff Companies are comprised of the following corporations: TeamStaff Holding Company, Inc. ("THC"), The TeamStaff Companies, Inc. ("TSC"), Employer Support Services, Inc. ("ESS"), TeamStaff U.S.A., Inc. ("TUSA"), TeamStaff, Inc. ("TSI"), TeamStaff II, Inc. ("TSI II"), TeamStaff III, Inc. ("TSI III"), TeamStaff IV, Inc. ("TSIV"), TeamStaff V, Inc. ("TSV") and TeamStaff Insurance Service, Inc. ("TIS"). Each of the TeamStaff Companies are Florida corporations with its principal address at 1211 N. Westshore Blvd., Suite 806, Tampa, Florida 33607. TeamStaff has also has offices in Raleigh/Durham, NC; Dallas, TX; Atlanta, GA; and Jacksonville, FL.

As a result of the acquisition, the combined companies' PEO business will be based in Tampa. Mr. Kirk Scoggins, president and a principal shareholder of TeamStaff, has been appointed President of the combined company's professional employment organization ("PEO") division and joined the Board of Directors of Digital effective as of January 25, 1999. Effective on the closing, Digital entered into a two year employment agreement with Mr. Scoggins. In addition to the foregoing, the Company has agreed to forgive approximately \$135,000 owed by Mr. Scoggins to the TeamStaff Entities provided Mr. Scoggins is employed by the Company for the next two years.

The combined companies will have revenues of approximately \$240 million and approximately 11,000 worksite employees, ranking the combined company among the top 15 PEOs in the United States. PEOs provide outsourcing of human resource, payroll, benefits, and workmen's compensation protection to small and medium sized businesses. The TeamStaff Companies serve a variety of industries, including golf course management, resort property management, manufacturing, distribution and service industries.

Pursuant to the terms of the acquisition, the Company issued 8,233,334 million shares of its common stock in exchange for all of the common stock of TeamStaff and approximately \$3.1 million in cash for all the preferred stock (and accrued dividends) and for payment of outstanding debt owed by the TeamStaff Companies to its shareholders. Digital also paid \$750,000 for certain legal, accounting investment banking expenses of the former owners of the TeamStaff Companies. Additionally, Digital issued approximately 311,000 shares of common stock to its investment banking firm for services rendered in connection with the acquisition.

Pursuant to the terms of the acquisition agreements, the former owners of the TeamStaff Companies agreed to indemnify Digital, subject an initial "basket" of \$100,000, for claims of up to approximately \$2,000,000 for various types of claims for breaches of representations and warranties. The former owners placed 1,471,800 shares of Common Stock into escrow in order

to provide limited security for claims of indemnification brought by Digital for breaches of representations or warranties by the TeamStaff Companies.

In addition, pursuant to the acquisition agreements, the former owners of the TeamStaff Companies have agreed to vote all shares of Digital owned by them during the two year period following the acquisition, in favor of management's nominees to the Board of Directors at all special or annual meetings of Digital's shareholders.

The shares issued to former TeamStaff Companies' owners are "restricted shares" under the Securities Act of 1933, as amended (the "Act"). Pursuant to the terms of the acquisition agreements entered into between the Company and the former owners, the Company has agreed to use its best efforts to have declared effective by the SEC, on the first anniversary of the closing, a registration statement under the Act covering the resale by the former owners of one-third of the shares of the Company's Common Stock issued to the former owners. In addition, the Company has agreed to use its best efforts to have registration statements for one third of the shares declared effective by the SEC on each of the second and third anniversary dates of the closing.

Digital received an increase in its present lending facility with Finova Capital Corporation in order to fund the acquisition and to increase its funding generally. The facility is comprised of a three-year term loan, with a five-year amortization and balloon payment at the end of three years, in the amount of \$2.5 million; a one-year bridge loan in the amount of \$750,000; and an increase in its revolving line of credit from \$2 million to \$2.5 million. The term loan bears an interest rate of prime plus 3 percent; the bridge loan bears an interest rate of 12 percent; and the revolving loan bears an interest rate of prime plus 1 percent. In addition, the Company will incur annual "success" fee payments of \$200,000, \$225,000 and \$250,000, respectively, on the anniversary date of the loan facility.

At a Special Meeting of Shareholders of Digital Solutions held in December 1998, the transaction was approved by holders of approximately 60 percent of Digital's common stock, representing 91 percent of the shares voted at the Special Meeting.

#### ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL STATEMENTS AND EXHIBITS.

##### (a)(b) Financial Statements of Businesses Acquired and Pro Forma Financial Information

The financial statements of the TeamStaff Companies and the pro forma financial information required in accordance with Form 8K will be filed within 60 days of the filing of this Form 8K.

(c) Exhibits. The exhibits designated with an asterisk (\*) are filed herewith. All other exhibits have been previously filed with the Commission and, pursuant to 17 C.F.R. Secs. 201.24 and 240.12b-32, are incorporated by reference to the document referenced in brackets following the descriptions of such exhibits.

3. Plan and Agreement of Merger and Reorganization dated as of October 29, 1998 among the Company, the Merger Corporations, the TeamStaff Entities and certain individuals and trusts as shareholders of the TeamStaff Entities (previously filed as Exhibit A to Proxy Statement of Digital Solutions, Inc. dated November 12, 1998).

- 3.1\* Amendment No. 1 dated as of January 21 , 1999 to Plan and Agreement of Merger and Reorganization among Digital Solutions, Inc., DGAC I, Inc., DGAC II, Inc., DGAC III, Inc., DGAC IV, Inc., DGAC VI, Inc., DGAC VII, Inc., DGAC VIII, Inc., DGAC IX, Inc., DGAC X, Inc. and TeamStaff, Inc., TeamStaff II, Inc., TeamStaff III, Inc., TeamStaff IV, Inc., The TeamStaff Companies, Inc., TeamStaff Holding Company, Inc., Employer Support Services, Inc., TeamStaff U.S.A., Inc., Teamstaff Insurance Services, Inc., and Warren M. Cason, Dorothy C. Cason, Kirk A. Scoggins, Melissa C. Scoggins, as Trustee of the Kirk Allan Scoggins 1997 Three Year Grantor Retained Annuity Trust, dated 7/1/97, Warren M. Cason, Jr., as Trustee of the Dorothy C. Cason 1997 Three Year Grantor Retained Annuity Trust, dated 7/1/97.
  
- 9.\* Form of Voting Agreement by and among Digital Solutions, Inc. Warren M. Cason, Dorothy C. Cason, Kirk A. Scoggins, Melissa C. Scoggins, as Trustee of the Kirk Allan Scoggins 1997 Three Year Grantor Retained Annuity Trust, dated 7/1/97, Warren M. Cason, Jr., as Trustee of the Dorothy C. Cason 1997 Three Year Grantor Retained Annuity Trust, dated 7/1/97
  
- 10.1\* Form of Employment Agreement between Digital Solutions, Inc. and Kirk Scoggins.
  
- 10.2\* Form of Registration Rights Agreement by and among Digital Solutions, Inc. and Warren M. Cason, Dorothy C. Cason, Kirk A. Scoggins, Melissa C. Scoggins, as Trustee of the Kirk Allan Scoggins 1997 Three Year Grantor Retained Annuity Trust, dated 7/1/97, Warren M. Cason, Jr., as Trustee of the Dorothy C. Cason 1997 Three Year Grantor Retained Annuity Trust, dated 7/1/97.
  
- 10.3\* Amended and Restated Loan and Security Agreement among Digital Solutions, Inc. and its Subsidiaries as Co-Borrowers and Finova Capital Corporation dated January 25, 1999.
  
- 19.4\* Amended and Restated Secured Promissory Note A dated January 25, 1999 in the principal amount of \$2,166,664 psysble to Finova Capital Corporation.
  
- 10.5\* Secured Promissory Note dated January 25, 1999 in the principal amount of \$2,500,000 payable to Finova Capital Corporation.
  
- 10.6\* Secured Promissory Note C dated January 25, 1999 in the principal amount of \$75,000 payable to Finova Capital Corporation.
  
- 10.7\* Amended and Restated Schedule to Loan and Security Agreement dated January 25, 1999.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: February 8, 1999

DIGITAL SOLUTIONS, INC.  
(Registrant)

By /s/ Donald T. Kelly  
-----  
Donald T. Kelly  
Chief Financial Officer

AMENDMENT NO. 1 TO  
PLAN AND AGREEMENT  
OF  
MERGER AND REORGANIZATION  
AMONG  
DIGITAL SOLUTIONS, INC.,

DGAC I, INC., DGAC II, INC., DGAC III, INC., DGAC IV, INC., DGAC VI, INC.,  
DGAC VII, INC., DGAC VIII, INC., DGAC IX, INC., DGAC X, INC.

AND

TEAMSTAFF, INC.,  
TEAMSTAFF II, INC.,  
TEAMSTAFF III, INC.,  
TEAMSTAFF IV, INC.,  
THE TEAMSTAFF COMPANIES, INC.,  
TEAMSTAFF HOLDING COMPANY, INC.,  
EMPLOYER SUPPORT SERVICES, INC.,  
TEAMSTAFF U.S.A., INC.,  
TEAMSTAFF INSURANCE SERVICES, INC.,

AND

WARREN M. CASON,  
DOROTHY C. CASON,  
KIRK A. SCOGGINS,

MELISSA C. SCOGGINS, AS TRUSTEE OF THE  
KIRK ALLAN SCOGGINS 1997 THREE YEAR  
GRANTOR RETAINED ANNUITY TRUST, DATED 7/1/97,

WARREN M. CASON, JR., AS TRUSTEE OF THE  
DOROTHY C. CASON 1997 THREE YEAR  
GRANTOR RETAINED ANNUITY TRUST, DATED 7/1/97,

Dated as of January 21, 1999

AMENDMENT NO. 1 TO PLAN AND AGREEMENT OF  
MERGER AND REORGANIZATION

This Amendment No. 1 dated as of January 21, 1999 is entered into by and among Digital Solutions, Inc., a New Jersey corporation with its principal address at 300 Atrium Drive, Somerset, New Jersey 08873 ("Digital"), DGAC I, Inc. ("DGACI"), DGAC II, Inc., ("DGACII"), DGAC III, Inc., ("DGACIII"), DGAC IV, Inc., ("DGACIV"), DGAC VI, Inc., ("DGACVI"), DGAC VII, Inc., ("DGACVII"), DGAC VIII, Inc., ("DGACVIII"), DGAC IX, Inc., ("DGACIX"), DGAC X, Inc., ("DGACX"), each a Florida corporation and a direct wholly-owned subsidiary of Digital with its principal address at 300 Atrium Drive, Somerset, New Jersey 08873 (collectively, DGACI, DGACII, DGACIII, DGACIV, DGACVI, DGACVII, DGACVIII, DGACIX, DGACX are referred to as the "Merger Corporations"), TeamStaff Holding Company, Inc. ("THC"), The TeamStaff Companies, Inc. ("TSC"), Employer Support Services, Inc. ("ESS"), TeamStaff U.S.A., Inc. ("TUSA"), TeamStaff, Inc. ("TSI"), TeamStaff II, Inc. ("TSI II"), TeamStaff III, Inc. ("TSI III"), TeamStaff IV, Inc. ("TSIV") and TeamStaff Insurance Services, Inc. ("TIS"), each a Florida corporation with its principal address at 1211 N. Westshore Blvd., Suite 806, Tampa, Florida 33607 (collectively, THC, TSC, ESS, TUSA, TSI, TSII, TSIII and TSIV are referred to as the "TeamStaff Entities"), Warren M. Cason ("WC"), Dorothy C. Cason ("DC"), Kirk A. Scoggins ("KS"), Melissa C. Scoggins, as trustee of the Kirk Allan Scoggins 1997 Three Year Grantor Retained Annuity Trust, dated July 1, 1997 (the "WC Trust") and Warren M. Cason, Jr., as trustee of the Dorothy C. Cason 1997 Three Year Grantor Retained Annuity Trust, dated July 1, 1997 (the "DC Trust") WC, DC, KS, the KS Trust and the DC Trust are collectively referred to in this Agreement as the "Seller"). Digital, the Merger Corporations, the TeamStaff Entities and the Sellers are referred to as the "Parties"

WHEREAS, the Parties have entered into certain Plan and Agreement of Merger and Reorganization (the "Original Agreement") dated as of October 29, 1998;

WHEREAS, the Parties have determined it to be in their best interests to resolve certain matters related to the Original Agreement and to amend certain terms and conditions contained therein.

NOW THEREFORE, in consideration of the foregoing, the Parties hereby agree as follows:

1. All terms not otherwise defined herein shall have the meanings ascribed to such terms in the Original Agreement.

2. The definition of Escrow Market price is hereby amended in its entirety to read as follows:

"Escrow Market Price" means \$1.34 per Digital Share.

3. Section 2(b) is hereby amended in its entirety to read as follows:

(b) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall be deemed to have occurred on January 25, 1999 at the offices of Goldstein & DiGioia LLP at 369 Lexington Avenue in New York, New York (the "Closing Date"). All documents, certificates and agreements delivered by the Parties in connection with the Closing shall be deemed, notwithstanding any other date stated in such documents, certificates or agreements, to be dated as of the Closing Date.

4. Sections 2(d)(ii) and (iii) shall be deemed amended in their entirety to read as follows:

(d) Effect of Merger.

(ii) Articles of Incorporation. The Articles of Incorporation of the respective TeamStaff Entities in effect at the Effective Time shall remain the Articles of Incorporation of the Surviving Corporations without any modification or amendment in the Mergers.

(iii) Bylaws. The Bylaws of the respective TeamStaff Entities in effect at the Effective Time shall remain the Bylaws of the Surviving Corporations without any modification or amendment in the Mergers.

5. Section 7(a)(xi) is hereby amended in its entirety to read as follows:

(xi) Digital shall have received from the Sellers three separate duly executed escrow agreements (collectively the "Escrow Agreements"), substantially in the form of Exhibit H annexed hereto, together with stock certificates and stock powers properly executed, to effect the following: (i) in order to provide security for payment by the Sellers of any Adverse Consequences for which Digital is entitled to indemnification for breach of any representation or warranty other than as set forth in clauses (ii) and (iii) below, such number of Digital Shares received by the Sellers as Merger Consideration as shall equal the quotient determined by dividing \$525,000 by the Escrow Market Price of the Digital Shares; (ii) in order to provide security for payment by the Sellers of any Adverse Consequences for which Digital is entitled to indemnification with respect to amounts in excess of the reserve for USEC as set forth on the Financial Statements of the TeamStaff Entities such number of Digital Shares received by the Sellers as Merger Consideration as shall equal the quotient determined by dividing \$1,222,213 by the Escrow Market Price of the Digital Shares; provided, however, that the initial \$50,000 of legal fees incurred by Digital and the TeamStaff Entities after the Closing for settlement of the USEC litigation shall not be deemed Adverse Consequences; and (iii) in order to provide security for payment by the Sellers of any Adverse Consequences with respect to liability emanating from the CIGNA medical insurance policy, such number of Digital Shares received by the Sellers as Merger Consideration as shall equal the quotient determined by dividing \$225,000 by the Escrow Market Price of the Digital Shares.

6. Section 8(a) is hereby amended in its entirety to read as follows:

(a) Survival of Representations and Warranties. All of the representations and warranties of the Sellers contained in Section 4 of this Agreement shall survive the Closing hereunder (unless Digital had received from Sellers written notice of any misrepresentation or breach of warranty prior to the time of Closing and expressly waived in writing such breach or misrepresentation) and continue in full force and effect for a period of 18 months from the Closing Date; provided, however, representations and warranties set forth in Section 4(x) regarding USEC shall continue in full force and effect until the third anniversary of the Closing Date.

7. Section 8(b) is hereby amended in its entirety to read as follows:

(b) Indemnification Provisions for Benefit of Digital. In the event any of the Sellers breaches (or in the event any third party alleges facts that, if true, would mean any of the Sellers has breached) any of their representations, warranties, and covenants contained herein, and if there is an applicable survival period pursuant to Section 8(a) above, provided that Digital makes a written claim for indemnification against any of the Sellers pursuant to Section 10(g) below within such survival period, then each of the Sellers agrees to indemnify Digital from and against the entirety of any Adverse Consequences Digital may suffer through and after the date of the claim for indemnification (including any Adverse Consequences Digital may suffer after the end of any applicable survival period) resulting from, arising out of, relating to, in the nature of, or caused by the breach (or the alleged breach); provided, however, that the Sellers shall not have any obligation to indemnify Digital from and against any Adverse Consequences caused proximately by the breach of any representation or warranty of the Sellers contained in Section 4 above until Digital has suffered Adverse Consequences by reason of all such breaches (or alleged breaches) in excess of a \$100,000 aggregate threshold (the "Threshold") and such indemnification shall be made by the Sellers only to the extent of any excess over the Threshold. The maximum Liability that will be payable to Digital by the Sellers pursuant to this Section 8(b) shall be limited as follows (i) for any Adverse Consequences for which Digital is entitled to indemnification for the breach of any representation or warranty other than as set forth in clauses (ii) or (iii) below, the sum of \$525,000; and (ii) for any Adverse Consequences for which Digital is entitled to indemnification with respect to amounts in excess of the reserve for USEC as set forth on the Financial Statements of the TeamStaff Entities, the sum of \$1,222,213; provided, however, that the initial \$50,000 of legal fees incurred by Digital and the TeamStaff Entities after the Closing for settlement of the USEC litigation shall not be deemed Adverse Consequences; and (iii) for any Adverse Consequences for which Digital is entitled to indemnification with respect to liability emanating from the CIGNA medical insurance policy, the sum of \$225,000; provided, however, in the event that a court of competent jurisdiction determines that the Sellers committed fraud with respect to any representation or warranty, then Digital shall have the right to indemnification from the Seller or Sellers who has or have committed

such fraud for the full amount of any Adverse Consequences suffered by Digital as a result of such fraud. Any liability incurred by the Sellers pursuant to the terms of this paragraph 8(b) shall be paid by the Sellers to Digital in cash within 30 days of written demand therefor by Digital; provided, that in the event such demand shall be served by Digital within one year from the Closing, the Sellers may, at the option of Digital, pay such liability by a note payable to the order of Digital bearing interest at a rate equal to the prime rate plus 5% per annum, and payable 90 days after the first anniversary of the Closing.

8. All other terms of the Original Agreement shall remain in full force and effect.

This Amendment No. 1 may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 1 as of the date first above written.

DIGITAL SOLUTIONS, INC.

By: \_\_\_\_\_  
Name:  
Title

THE TEAMSTAFF COMPANIES, INC.

By: \_\_\_\_\_  
Kirk A. Scoggins  
President

TEAMSTAFF HOLDING COMPANY, INC.

By: \_\_\_\_\_  
Kirk A. Scoggins  
President

EMPLOYER SUPPORT SERVICES, INC.

By: \_\_\_\_\_  
Kirk A. Scoggins  
President

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 1 as of the date first above written.

TEAMSTAFF, INC.

By: -----  
Kirk A. Scoggins  
President

TEAMSTAFF USA, INC.

By: -----  
Kirk A. Scoggins  
President

TEAMSTAFF II, INC.

By: -----  
Kirk A. Scoggins  
President

TEAMSTAFF III, INC.

By: -----  
Kirk A. Scoggins  
President

TEAMSTAFF IV, INC.

By: -----  
Kirk A. Scoggins  
President

TEAMSTAFF INSURANCE SERVICES, INC.

By: -----  
Kirk A. Scoggins  
President

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 1 as of the date first above written.

SHAREHOLDERS:

-----  
Warren M. Cason, Shareholder

-----  
Dorothy C. Cason, Shareholder

-----  
Kirk A. Scoggins, Shareholder

-----  
Melissa C. Scoggins, as Trustee of the Kirk  
Allan Scoggins 1997 Three Year Grantor  
Retained Annuity Trust, dated 7/1/97,  
Shareholder

-----  
Warren M. Cason, Jr., Trustee of the  
Dorothy C. Cason 1997 Three Year Grantor  
Retained Annuity Trust, dated 7/1/97,  
Shareholder

DGAC I, INC.

By: -----  
Name:  
Title:

DGAC II, INC.

By: -----  
Name:  
Title:

DGAC III, INC.

By: -----  
Name:  
Title:

DGAC IV, INC.

By: -----  
Name:  
Title:

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 1 as of the date first above written.

DGAC VI, INC.

By: \_\_\_\_\_  
Name:  
Title:

DGAC VII, INC.

By: \_\_\_\_\_  
Name:  
Title:

DGAC VIII, INC.

By: \_\_\_\_\_  
Name:  
Title:

DGAC IX, INC.

By: \_\_\_\_\_  
Name:  
Title:

DGAC X, INC.

By: \_\_\_\_\_  
Name:  
Title:

## FORM OF VOTING AGREEMENT

The Board of Directors  
Digital Solutions, Inc.  
300 Atrium Drive  
Somerset, New Jersey 08873

Gentlemen:

Reference is made to that certain Plan and Agreement of Merger and Reorganization, dated as of October 29, 1998 ("Merger Agreement") by and among the undersigned, Digital Solutions, Inc. ("Digital"), the Merger Corporations and the TeamStaff Entities. All terms not defined herein shall have the meanings ascribed to them in the Merger Agreement.

It is a condition to closing the transactions contemplated by the Merger Agreement, specifically, pursuant to Sections 2(d)(iv)(B), 7(a)(xviii) and 7(b)(xiv) of the Merger Agreement, that the undersigned deliver this voting agreement to Digital. The undersigned acknowledges that he, she or it has received certain consideration from Digital pursuant to the Merger Agreement and this voting agreement is coupled with an interest.

The undersigned hereby agrees that for a period of two years from the date hereof, the undersigned shall vote all Digital Shares beneficially owned by the undersigned (determined in accordance with Section 13 of the Securities and Exchange Act of 1934, as amended and any rules promulgated thereunder) in favor of all management nominees to the Digital Board of Directors at any and all special or annual meetings of shareholders of Digital and in any written consent delivered by the undersigned to Digital or any third party. In the event that any Digital Shares owned by the undersigned are transferred in a private transaction or by the laws of descent, the shares so transferred shall continue to be subject to this voting agreement. Notwithstanding the foregoing, this voting agreement shall not be binding upon Digital Shares that are sold by the undersigned either pursuant to a registration statement or Rule 144 promulgated by the SEC.

The undersigned hereby acknowledges and agrees that the share certificates owned by the undersigned shall bear a legend as follows:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A VOTING AGREEMENT IN FAVOR OF DIGITAL SOLUTIONS, INC. A COPY OF THE VOTING AGREEMENT IS RETAINED AT THE OFFICES OF DIGITAL SOLUTIONS, INC. NO TRANSFER, PLEDGE OR SALE OF THE SHARES SHALL BE ALLOWED EXCEPT IN ACCORDANCE WITH THE VOTING AGREEMENT. THE VOTING AGREEMENT EXPIRES ON \_\_\_\_\_, 2000.

IN WITNESS WHEREOF, the undersigned has duly executed this voting agreement this 25th day of January, 1999.

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## EMPLOYMENT AGREEMENT

AGREEMENT made as of the 25th day of January, 1999, by and between Kirk Scoggins, residing at 1901 Brookline Avenue, Tampa, Florida 33629 (hereinafter referred to as the "Employee") and DIGITAL SOLUTIONS, INC., a New Jersey corporation with principal offices located at 300 Atrium Drive, Somerset, New Jersey 08873 (hereinafter referred to as the "Company").

## W I T N E S S E T H :

WHEREAS, the Company and its subsidiaries are engaged in the business of providing Human Resource Administrative Services; and

WHEREAS, the Company desires to employ the Employee for the purpose of securing for the Company the experience, ability and services of the Employee; and

WHEREAS, the Employee desires to be employed with the Company, pursuant to the terms and conditions herein set forth, superseding all prior agreements between the Company, its subsidiaries and/or predecessors and Employee;

NOW, THEREFORE, it is mutually agreed by and between the parties hereto as follows:

ARTICLE I  
EMPLOYMENT

Subject to and upon the terms and conditions of this Agreement, the Company hereby employs and agrees to continue the employment of the Employee, and the Employee hereby accepts such continued employment in his capacity as President of the Company's Professional Employer Organization ("PEO").

ARTICLE II  
DUTIES

1. The Employee shall, during the term of his employment with the Company, and subject to the direction and control of the Company's CEO, perform such duties and functions as he may be called upon to perform by the Company's CEO during the term of this Agreement.

2. The Employee agrees to devote full business time and his best efforts in the performance of his duties for the Company and any subsidiary corporation of the Company.

3. The Employee shall perform, in conjunction with the Company's Executive Management, to the best of his ability the following services and duties for the Company and its subsidiary corporations (by way of example, and not by way of limitation):

a. Those duties attendant to the position with the Company for which he is hired;

b. Establish and implement current and long range objectives, plans, and policies, subject to the approval of the CEO and Board of Directors;

c. Financial planning for the PEO Division;

d. Managerial oversight of the Company's PEO business;

e. Ensure that all Company's PEO activities and operations are carried out in compliance with local, state and federal regulations and laws governing business operations;

f. Work with the CEO on business expansion of the PEO Company, including acquisitions, joint ventures, and other opportunities; and

g. Promotion of the relationships of the Company and its subsidiaries with their respective employees, customers, suppliers and others in the business community.

h. Employee shall be based in the Pinellas and Hillsborough, Florida counties area and shall undertake such travel, within or outside the United States, as is or may be reasonably necessary in the interests of the Company.

ARTICLE III

COMPENSATION

1. Commencing the date hereof and during the term hereof, Employee shall be compensated initially at the rate of \$175,000 per annum, subject to such increases to be determined on each 12-month anniversary during the term of this Agreement (the "Base Salary"), which shall be paid to Employee as in accordance with the Company's regular payroll periods.

2. Employee shall be entitled to receive a bonus (the "Bonus") in accordance with the Company's Senior Management Incentive Program to be determined within 30 days of commencement of this Agreement and thereafter within 30 days of the beginning of each fiscal

3  
year.

3. The Company shall deduct from Employee's compensation all federal, state, and local taxes which it may now or may hereafter be required to deduct.

ARTICLE IV  
BENEFITS

1. During the term hereof, the Company shall provide Employee with group health care and insurance benefits as generally made available to the Company's senior management; provide such other insurance benefits obtained by the Company and made generally available to the Company's senior management (the Company will reimburse the Employee to the extent his health and welfare benefits are reduced from those in effect at the TeamStaff Companies at the time of the acquisition by the Company); reimburse the Employee, upon presentation of appropriate vouchers, for all reasonable business expenses incurred by the Employee on behalf of the Company upon presentation of suitable documentation; and pay to Employee the sum of \$800 per month as and for an automobile allowance.

2. In the event the Company wishes to obtain Key Man life insurance on the life of Employee, Employee agrees to cooperate with the Company in completing any applications necessary to obtain such insurance and promptly submit to such physical examinations and furnish such information as any proposed insurance carrier may request.

3. For each year of the term hereof, Employee shall be initially entitled to five (5) weeks paid vacation.

ARTICLE V  
NON-DISCLOSURE

The Employee shall not, at any time during or after the termination of his employment hereunder, except when acting on behalf of and with the authorization of the Company, make use of or disclose to any person, corporation, or other entity, for any purpose whatsoever, any trade secret or other confidential information concerning the Company's business, finances, marketing, computerized payroll, accounting and information business, personnel and/or employee leasing business of the Company and its subsidiaries, including information relating to any customer of the

Company or pool of temporary employees, or any other nonpublic business information of the Company and/or its subsidiaries learned as a consequence of Employee's employment with the Company (collectively referred to as the "Proprietary Information"). For the purposes of this Agreement, trade secrets and confidential information shall mean information disclosed to the Employee or known by him as a consequence of his employment by the Company, whether or not pursuant to this Agreement, and not generally known in the industry. The Employee acknowledges that trade secrets and other items of confidential information, as they may exist from time to time, are valuable and unique assets of the Company, and that disclosure of any such information would cause substantial injury to the Company.

ARTICLE VI  
RESTRICTIVE COVENANT

1. In the event of the voluntary termination of employment with the Company prior to the expiration of the term hereof, or Employee's discharge in accordance with Article VIII, or the expiration of the term hereof without renewal, Employee agrees that he will not, for a period of two (2) years following such termination (or expiration, as the case may be) directly or indirectly enter into or become associated with or engage in any other business (whether as a partner, officer, director, shareholder, employee, consultant, or otherwise), which business is located in the States of Florida, New Jersey, New York, and Texas or any other state the Company is operating in and is involved in the professional employer organization business, or is otherwise engaged in the same or similar business as the Company shall be engaged and is in direct competition with the Company, or which the Company is in the process of developing, during the tenure of Employee's employment by the Company. Notwithstanding the foregoing, the ownership by Employee of less than 5 percent of the shares of any publicly held corporation shall not violate the provisions of this Article VI.

2. In furtherance of the foregoing, Employee shall not during the aforesaid period of non-competition, directly or indirectly, in connection with any computerized payroll, employee leasing, or permanent or temporary personnel business, or any business similar to the business in which the Company was engaged, or in the process of developing during Employee's tenure with

the Company, solicit any customer or employee of the Company who was a customer or employee of the Company during the tenure of his employment.

3. If any court shall hold that the duration of non-competition or any other restriction contained in this Article is unenforceable, it is our intention that same shall not thereby be terminated but shall be deemed amended to delete therefrom such provision or portion adjudicated to be invalid or unenforceable or, in the alternative, such judicially substituted term may be substituted therefor.

ARTICLE VII  
TERM

1. This Agreement shall be for a term of two (2) years commencing January 1, 1999 and terminating on December 31, 2000 unless sooner terminated as provided for herein (the "Expiration Date").

2. Unless this Agreement is earlier terminated pursuant to the terms hereof, the Company agrees to notify Employee in writing whether it intends to negotiate a renewal of this Agreement by notice six (6) months prior to the Expiration Date. In the event the Company fails to so notify the Employee, the term of this Agreement shall be extended for an additional one (1) year.

ARTICLE VIII  
DISABILITY DURING TERM

In the event Employee becomes totally disabled so that he is unable or prevented from performing any one or all of his usual duties hereunder for a period of four (4) consecutive months, and the Company elects to terminate this agreement in accordance with Article IX, paragraph (B) then, and in that event, Employee shall receive his Base Salary as provided under Article III of this Agreement for a period of twelve (12) months commencing from the date of such total disability. The obligation of the Company to make the aforesaid payments shall be modified and reduced and the Company shall receive a credit for all disability insurance payments which Employee may receive from insurance policies provided by the Company.

ARTICLE IX  
TERMINATION

The Company may terminate this Agreement:

a. Upon the death of Employee during the term hereof, except that the Employee's legal representatives, successors, assigns, and heirs shall have those rights and interests as otherwise provided in this Agreement, including the right to receive accrued but unpaid incentive compensation and special bonus compensation on a pro rata basis.

b. Subject to the terms of Article VIII, upon written notice from the Company to the Employee, if Employee becomes totally disabled and as a result of such total disability, has been prevented from and unable to perform all of his duties hereunder for a consecutive period of four (4) months.

c. Upon written notice from the Company to the Employee, at any time for "Cause." For purposes of this Agreement, "Cause" shall be defined as: willful disobedience by the Employee of a material and lawful instruction of the CEO or the Board of Directors of the Company; conviction of the Employee of any misdemeanor involving fraud or embezzlement or similar crime, or any felony, excluding traffic-related offenses; breach by the Employee of any material provision of this Agreement; or conduct amounting to fraud, dishonesty, negligence, willful misconduct, recurring insubordination, inattention to or unsatisfactory performance of duties which adversely affects operations of the Company, or excessive absences from work, provided that the Company shall not have the right to terminate the employment of Employee pursuant to the foregoing clauses (a) and (b) above unless written notice specifying such breach shall have been given to the Employee and, in the case of breach which is capable of being cured, the Employee shall have failed to cure such breach within thirty (30) days after his receipt of such notice.

d. In the event the Company demotes, substantially reduces the duties of or reduces the salary or benefits of the employee, the employee may elect to treat this Agreement as terminated for "good reason." In the event of termination of this Agreement for good reason, the employee shall be entitled to payment of the greater of all salary, benefits and stock grants or options due for the remaining term of the Agreement or the severance payments as defined in Article VII(c) herein, in

addition to any rights or remedies available to the employee at law or in equity.

e. In the event of the termination of this Agreement and the discharge of Employee by the Company in breach and violation of this Agreement, Employee shall not be obligated to mitigate damages by seeking or obtaining alternate employment.

ARTICLE X  
TERMINATION OF PRIOR AGREEMENTS

This Agreement sets forth the entire agreement between the parties and supersedes all prior agreements between the parties, whether oral or written prior to the effective date of this Agreement.

ARTICLE XI  
STOCK OPTIONS

As an inducement to Employee to enter into this Agreement the Company hereby grants to Employee options to purchase shares of the Company's Common Stock, \$.001 par value, upon and subject to the following conditions:

(a) Subject to the terms and conditions of the Company's Senior Management Incentive Plan (the "Plan"), and the terms and conditions set forth in the Stock Option Certificate which are incorporated herein by reference, the Employee is hereby granted options to purchase 100,000 shares of the Company's Common Stock of which options to purchase 50,000 shares shall be vested on the second anniversary hereof. The option shall contain such other terms and conditions as set forth in the stock option agreement. The exercise price of the options shall be the closing market price of the Common Stock on the date hereof. The foregoing options shall be qualified as incentive stock options to the maximum as allowed by law. The Options provided for herein are not transferable by Employee and shall be exercised only by Employee, or by his legal representative or executor, as provided in the Plan. Such Option shall terminate as provided in the Plan.

ARTICLE XII  
ARBITRATION AND INDEMNIFICATION

Any dispute arising out of the interpretation, application, and/or performance of this Agreement with the sole exception of any claim, breach, or violation arising under Articles V or VI

hereof shall be settled through final and binding arbitration before a single arbitrator in the State of Florida in accordance with the Rules of the American Arbitration Association. The arbitrator shall be selected by the Association and shall be an attorney-at-law experienced in the field of corporate law. Any judgment upon any arbitration award may be entered in any court, federal or state, having competent jurisdiction of the parties.

The Company hereby agrees to indemnify, defend, and hold harmless the Employee for any and all claims arising from or related to his employment by the Company at any time asserted, at any place asserted, and to the fullest extent permitted by law. The Company shall maintain such insurance as is necessary and reasonable to protect the Employee from any and all claims arising from or in connection with his employment by the Company, provided such insurance can be obtained without unreasonable effort and expense.

ARTICLE XIII  
SEVERABILITY

If any provision of this Agreement shall be held invalid and unenforceable, the remainder of this Agreement shall remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances, it shall remain in full force and effect in all other circumstances.

ARTICLE XIV  
NOTICE

All notices required to be given under the terms of this Agreement shall be in writing and shall be deemed to have been duly given only if delivered to the addressee in person, with written acknowledgment received, or mailed by certified mail, return receipt requested, as follows:

IF TO THE COMPANY:

Digital Solutions, Inc.  
300 Atrium Drive  
Somerset, NJ 08873

IF TO THE EMPLOYEE:

Kirk Scoggins  
901 Brookline Avenue  
Tampa, FL 33629

or to any such other address as the party to receive the notice shall advise by due notice given in accordance with this paragraph. Notice shall be effective three (3) days after delivery or mailing.

ARTICLE XV  
BENEFIT

This Agreement shall inure to, and shall be binding upon, the parties hereto, the successors and assigns of the Company, and the heirs and personal representatives of the Employee.

ARTICLE XVI  
WAIVER

The waiver by either party of any breach or violation of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach of construction and validity.

ARTICLE XVII  
GOVERNING LAW

This Agreement has been negotiated and executed in the State of Florida shall govern its construction and validity.

ARTICLE XVIII  
JURISDICTION

Any or all actions or proceedings which may be brought by the Company or Employee under this Agreement shall be brought in courts having a situs within the State of Florida, and Employee and the Company each hereby consent to the jurisdiction of any local, state, or federal court located within the State of Florida.

ARTICLE XIX  
ENTIRE AGREEMENT

This Agreement contains the entire agreement between the parties hereto. No change, addition, or amendment shall be made hereto, except by written agreement signed by the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and affixed their hands and seals the day and year first above written.

(Corporate Seal)

DIGITAL SOLUTIONS, INC.

By: \_\_\_\_\_  
Donald W. Kappauf  
President & CEO

-----  
Kirk Scoggins

## REGISTRATION RIGHTS AGREEMENT

AGREEMENT, dated as of the 25th day of January 1999, between the person whose name and address appears on the signature page hereto (individually, a "Holder" or, collectively with each of the holders, the "Holders") and Digital Solutions, Inc., a New Jersey corporation having its principal executive office at 300 Atrium Drive, Somerset, New Jersey 08873 (the "Company"). Terms that are not otherwise defined in this Agreement shall have the meaning given them in the Plan and Agreement of Merger and Reorganization dated as of October 29, 1998 (the "Merger Agreement") by and among the Company, the TeamStaff Entities and the Holders.

WHEREAS, simultaneously with the execution and delivery of this Agreement, the Holders have received from the Company shares ("Shares") of the Company's common stock, par value \$.001 per share (the "Common Stock"), pursuant to the terms of the Merger Agreement; and

WHEREAS, the Company desires to grant to the Holder the registration rights set forth herein with respect to the Shares.

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. REGISTRABLE SECURITIES. As used herein the term "Registrable Security" means each of the Shares owned by the Holders as set forth on Exhibit A annexed hereto; provided, however, that with respect to any particular Registrable Security, such security shall cease to be a Registrable Security when, as of the date of determination, (i) it has been effectively registered under the Securities Act of 1933, as amended (the "Act") and disposed of pursuant thereto, (ii) registration under the Act is no longer required for the immediate public distribution of such security, or (iii) it has ceased to be outstanding. The term "Registrable Securities" means any and/or all of the securities falling within the foregoing definition of a "Registrable Security." In the event of any merger, reorganization, consolidation, recapitalization or other change in corporate structure affecting the Common Stock, such adjustment shall be made in the definition of "Registrable Security" as is appropriate in order to prevent any dilution or enlargement of the rights granted pursuant to this Section 1.

2. AUTOMATIC REGISTRATION. (a) The Company shall use its best efforts to file a registration statement covering thirty three and one-third percent (33-1/3%) of the Registrable Securities (registration of 500,000 of such shares shall be designated by Kirk Scoggins and the remainder by Warren Cason) (the "Initial Registration Statement") with the Securities and Exchange Commission (the "SEC") under the Act as soon as practicable following the first anniversary of this Agreement (the "First Required Filing Date"). The Company shall use its best efforts to cause such Initial Registration Statement to become effective under the Act as soon as practicable thereafter and shall maintain the effectiveness of the Initial Registration Statement until the earlier of (i) the date that all of the Registrable Securities have been sold or (ii) the date that all of the Holders thereof receive an opinion of counsel to the Company that the Registrable

Securities may be sold under the provisions of Rule 144(k) promulgated under the Act (or any successor provision), so as to permit the public offer and sale of the Registrable Securities.

(b) In addition to the First Registration Statement, the Company shall use its best efforts to file a registration statement covering an additional thirty three and one-third percent (33-1/3%) of the Registrable Securities (registration of 1,872,223 of such shares shall be designated by Warren Cason and the remainder by Kirk Scoggins) (the "Second Registration Statement") with the Securities and Exchange Commission (the "SEC") under the Act as soon as practicable following the second anniversary of this Agreement (the "Second Required Filing Date"). The Company shall use its best efforts to cause such Second Registration Statement to become effective under the Act as soon as practicable thereafter and shall maintain the effectiveness of the Second Registration Statement until the earlier of (i) the date that all of the Registrable Securities have been sold or (ii) the date that all of the Holders thereof receive an opinion of counsel to the Company that the Registrable Securities may be sold under the provisions of Rule 144(k) promulgated under the Act (or any successor provision), so as to permit the public offer and sale of the Registrable Securities.

(c) In addition to the Initial Registration Statement and the Second Registration Statement, the Company shall use its best efforts to file a registration statement covering the remaining thirty three and one-third percent (33-1/3%) of the Registrable Securities owned by each Holder (the "Final Registration Statement") with the SEC under the Act as soon as practicable following the date which is three years from the date of Closing (as defined in the Merger Agreement) (the "Final Required Filing Date"). The Company shall use its best efforts to cause such Final Registration Statement to become effective under the Act as soon as practicable thereafter and shall maintain the effectiveness of the Final Registration Statement until the earlier of (i) the date that all of the Registrable Securities have been sold or (ii) the date that all of the holders thereof receive an opinion of counsel to the Company that the Registrable Securities may be sold under the provisions of Rule 144(k) promulgated under the Act (or any successor provision), so as to permit the public offer and sale of the Registrable Securities.

(d) Notwithstanding the provision under Section 2(a), 2(b) or 2(c) hereof, if, at the time of the First Required Filing Date, the Second Required Filing Date or the Final Required Filing Date, as the case may be, the Company is negotiating a merger, consolidation, acquisition or sale of all or substantially all of its assets or a similar transaction and in the written opinion of counsel to the Company, the Initial Registration Statement, the Second Registration Statement or the Final Registration Statement, as the case may be, would be required to include information concerning such transactions or the parties thereto that is not available at the time, the Company shall promptly so advise the Holders of the Registrable Securities and, at the Company's election, to be set forth in such notice ("Notice of Postponement"), the filing of either the Initial Registration Statement, the Second Registration Statement or the Final Registration Statement, as the case may be, may be postponed for a period not to exceed the lesser of (i) the date such information becomes available to the Company or (ii) ninety (90) days from the First Required Filing Date, the Second Required Filing Date or the Final Required Filing Date, as the case may be (the

"Postponement Period"); provided, however, that the Company shall not be permitted to give any such Notice of Postponement and to so postpone the filing of the registration statement more than once.

3. COVENANTS OF THE COMPANY WITH RESPECT TO REGISTRATION. The Company covenants and agrees as follows:

(a) In connection with any registration under Article 2 hereof, the Company shall use its best efforts to cause the Initial Registration Statement, the Second Registration Statement or the Final Registration Statement, as the case may be, to become effective as promptly as possible and prevent the SEC from issuing a stop order suspending the effectiveness of the Initial Registration Statement, the Second Registration Statement or the Final Registration Statement, as the case may be, or, if any stop order shall be issued by the SEC in connection therewith, to use its best efforts to obtain the removal of such order. Following the effective date of the Initial Registration Statement, the Second Registration Statement or the Final Registration Statement, as the case may be, the Company shall, upon the request of the Holder, forthwith supply such reasonable number of copies of the applicable registration statement, preliminary prospectus and prospectus meeting the requirements of the Act, and other documents necessary or incidental to the public offering of the Registrable Securities, as shall be reasonably requested by the Holder to permit the Holder to make a public distribution of the Holder's Registrable Securities. The obligations of the Company hereunder with respect to the Holder's Registrable Securities are subject to the Holder's furnishing to the Company such appropriate information concerning the Holder, the Holder's Registrable Securities and the terms of the Holder's offering of such Registrable Securities as the Company may reasonably request in writing.

(b) The Company shall pay all costs, fees and expenses in connection with all registration statements filed pursuant to Article 2 hereof, including, without limitation, the Company's legal and accounting fees, printing expenses, and blue sky fees and expenses; provided, however, that the Holder shall be solely responsible for the fees of any counsel retained by the Holder in connection with such registration and any transfer taxes or underwriting discounts, commissions or fees applicable to the Registrable Securities sold by the Holder pursuant thereto.

(c) The Company will take all necessary action which may be required in qualifying or registering the Registrable Securities included in a registration statement for offering and sale under the securities or blue sky laws of such states as are reasonably requested by the Holders of such securities, provided that the Company shall not be obligated to qualify as a foreign corporation to do business under the laws of any such jurisdiction.

(d) During the period when a prospectus is required to be delivered under the Act, promptly file all documents required to be filed by it with the SEC pursuant to Section 13(a), 13(c), or 14 of the Securities and Exchange Act of 1934, as amended;

(e) Promptly notify the Holders in writing of the following: (i) the date when the registration statement or any post-effective amendment to it becomes effective, and the date when any amendment to the registration statement or supplement to a prospectus is filed with the SEC; (ii) the issuance by the SEC of the stop order suspending the effectiveness of the registration statement or the initial proceedings for that purpose; (iii) the suspension of qualification of any Shares for sale in any jurisdiction or the initiation of any proceedings for that purpose; and (iv) the Company's intention to file an amendment to the registration statement, or a supplement to any prospectus, that differs from the prospectus on file when the registration statement became effective and including documents deemed to be incorporated by reference into a prospectus.

4. ADDITIONAL TERMS.

(a) The Company shall indemnify and hold harmless the Holder and each underwriter, within the meaning of the Act, who may purchase from or sell for the Holder, any Registrable Securities, from and against any and all losses, claims, damages and liabilities caused by any untrue statement or alleged untrue statement of a material fact contained in the either registration statement filed pursuant to Article 2 of this Agreement, any other registration statement filed by the Company under the Act with respect to the registration of the Registrable Securities, any post-effective amendment to such registration statements, or any prospectus included therein or caused by any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission based upon information furnished or required to be furnished in writing to the Company by the Holder or underwriter expressly for use therein, which indemnification shall include each person, if any, who controls either the Holder or underwriter within the meaning of the Securities Act and each officer, director, employee and agent of the Holder and underwriter; provided, however, that the indemnification in this Section 4(a) with respect to any prospectus shall not inure to the benefit of the Holder or underwriter (or to the benefit of any person controlling the Holder or underwriter) on account of any such loss, claim, damage or liability arising from the sale of Registrable Securities by the Holder or underwriter, if a copy of a subsequent prospectus correcting the untrue statement or omission in such earlier prospectus was provided to the Holder or underwriter by the Company prior to the subject sale and the subsequent prospectus was not delivered or sent by the Holder or underwriter to the purchaser prior to such sale; and provided further, that the Company shall not be obligated to so indemnify the Holder or any such underwriter or other person referred to above unless the Holder or underwriter or other person, as the case may be, shall at the same time indemnify the Company, its directors, each officer signing the applicable registration statement and each person, if any, who controls the Company within the meaning of the Act, from and against any and all losses, claims, damages and liabilities caused by any untrue statement of a material fact contained in the applicable registration statement, any registration statement or any prospectus required to be filed or furnished by reason of this Agreement or caused by any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, insofar as such losses, claims, damages or liabilities are caused by any untrue statement or omission based upon information furnished in writing to the Company by the Holder

or underwriter expressly for use therein.

(b) If for any reason the indemnification provided for in the preceding section is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, claim, damage, liability or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by the indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by the indemnified party and the indemnifying party, but also the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations.

(c) Neither the filing of a registration statement by the Company pursuant to this Agreement nor the making of any request for prospectuses by the Holder shall impose upon the Holder any obligation to sell the Holder's Registrable Securities.

(d) The Holder, upon receipt of notice from the Company that an event has occurred which requires a post-effective amendment to the registration statement or a supplement to the prospectus included therein, shall promptly discontinue the sale of Registrable Securities until the Holder receives a copy of a supplemented or amended prospectus from the Company, which the Company shall provide as soon as practicable after such notice.

(e) If the Company fails to keep the registration statement referred to in Article 2 above continuously effective during the requisite period, then the Company shall promptly use its best efforts to update the registration statement or file a new registration statement covering the Registrable Securities remaining unsold, subject to the terms and provisions hereof.

5. GOVERNING LAW. The Registrable Securities will be, if and when issued, delivered in New York. This Agreement shall be deemed to have been made and delivered in the State of New York and shall be governed as to validity, interpretation, construction, effect and in all other respects by the internal substantive laws of the State of New Jersey, without giving effect to the choice of law rules thereof.

6. AMENDMENT. This Agreement may only be amended by a written instrument executed by the Company and the Holder.

7. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

8. EXECUTION IN COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

9. NOTICES. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication

hereunder shall be deemed (i) duly given if (and then delivered three business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient or (ii) duly given if (and then delivered one business day after) it is sent by overnight courier and addressed to the intended recipient. All notices shall be sent to the addresses as set forth below:

If to the Sellers:  
Warren M. Cason  
c/o Holland & Knight LLP  
400 North Ashley Drive  
Suite 2300  
Tampa, Florida 336

Copy to:  
Holland & Knight LLP  
400 North Ashley Drive  
Suite 2300  
Tampa, Florida 33602  
(Attn: Robert J. Grammig, Esq.)

If to the Sellers: (continued)

Kirk A. Scoggins  
1211 North Westshore Boulevard  
Suite 806  
Tampa, Florida 33607

If to Digital:  
Digital Solutions, Inc.  
300 Atrium Drive  
Somerset, NJ 08873  
Attn: Donald Kappauf

Copy to:  
Goldstein & DiGioia LLP  
369 Lexington Avenue, 18th Fl  
New York, NY 10017  
Attn: Brian C. Daughney, Esq.

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

10. BINDING EFFECT; BENEFITS. The Holder may not assign his or her rights hereunder. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, legal representatives and successors. Nothing herein contained, express or implied, is intended to confer upon any person other than the parties hereto and their respective heirs, legal representatives and successors, any rights or remedies under or by reason of this Agreement.

11. HEADINGS. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

12. SEVERABILITY. Any provision of this Agreement which is held by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction(s) shall be, as to such jurisdiction(s), ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the date first above written.

-----  
WARREN M. CASON, Holder

-----  
DOROTHY C. CASON, Holder

-----  
KIRK A. SCOGGINS, Holder

-----  
MELISSA C. SCOGGINS, as Trustee  
of the Kirk Allan Scoggins 1997  
Three Year Grantor Retained Annuity  
Trust, dated 7/1/97, Holder

-----  
WARREN M. CASON, JR., as Trustee  
of the Dorothy C. Cason 1997  
Three Year Grantor Retained Annuity  
Trust, dated 7/1/97, Holder

DIGITAL SOLUTIONS, INC.

By: \_\_\_\_\_  
Name:  
Title:

[FINOVA LOGO]

AMENDED AND RESTATED  
LOAN AND SECURITY AGREEMENT

DIGITAL SOLUTIONS, INC.  
DSI CONTRACT STAFFING, INC.  
DSI STAFF CONNXIONS NORTHEAST, INC.  
DSI STAFF CONNXIONS-SOUTHWEST, INC.  
DSI STAFF RX, INC.  
THE TEAMSTAFF COMPANIES, INC.  
TEAMSTAFF, INC.  
TEAMSTAFF II, INC.  
TEAMSTAFF III, INC.  
TEAMSTAFF IV, INC.  
TEAMSTAFF V, INC.  
TEAMSTAFF U.S.A., INC.  
TEAMSTAFF INSURANCE SERVICES, INC.  
TEAMSTAFF HOLDING COMPANY, INC.  
EMPLOYER SUPPORT SERVICES, INC.

CO-BORROWERS

300 ATRIUM DRIVE, SOMERSET, NEW JERSEY 08873

\$8,250,000  
CREDIT LIMIT

JANUARY 25, 1999

CORPORATE FINANCE

THIS AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (collectively with the Schedule to Loan Agreement (the "SCHEDULE") attached hereto, the "AGREEMENT") dated the date set forth on the cover page, is entered into by and between the borrowers named on the cover page (each individually, a "Borrower", and, collectively, the "Borrowers"), whose address is set forth on the cover page and FINOVA CAPITAL CORPORATION ("FINOVA"), whose address is 355 South Grand Avenue, Los Angeles, California 90071 in order to amend and restate the Original Agreement (as hereinafter defined) to provide increased and additional credit facilities to the Borrowers on the terms and conditions set forth herein.

1. DEFINITIONS.

1.1 Defined Terms. As used in this Agreement, the following terms have the definitions set forth below:

"ADA" has the meaning set forth in Section 4.1(aa) hereof.

"Additional Sums" has the meaning set forth in Section 2.9(a) hereof.

"Affiliate" means any Person controlling, controlled by or under common control with any Borrower. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause direction of the management and policies of any Person, whether through ownership of common or preferred stock or other equity interests, by contract or otherwise. Without limiting the generality of the foregoing, each of the following shall be an Affiliate: any officer or director of any Borrower, any subsidiary of any Borrower, any other Person with whom or which any Borrower has common officers or directors, any Person that owns more than five percent (5%) of the voting stock of any Borrower (an "affiliate stockholder"), and any Person in which an affiliate stockholder owns more than five percent (5%) of the voting stock.

"Agreement" has the meaning set forth in the preamble.

"Amendment Closing Date" means January 25, 1999.

"Applicable Usury Law" has the meaning set forth in Section 2.9(b) hereof.

"Blocked Account" has the meaning set forth in Section 2.10(c) hereof.

"Business Day" means any day on which commercial banks in both Los Angeles, California and Phoenix, Arizona are open for business.

"Capital Expenditures" means all expenditures made and liabilities incurred for the acquisition of any fixed asset or improvement, replacement, substitution or addition thereto which has a useful life of more than one year and including, without limitation, those arising in connection with Capital Leases.

"Capital Lease" means any lease of property by a Borrower that, in accordance with GAAP, should be capitalized for financial reporting purposes and reflected as a liability on the balance sheet of such Borrower.

"Cash Dominion Event" means (i) with respect to a Blocked Account containing proceeds of Receivables attributable to the PEO Business, the occurrence and continuation of an Event of Default described in Section 7.1(a), 7.1(b) (with respect to a breach of Section 2.10, 3.8, 6.1.13, 6.2.1, 6.2.2, 6.2.3, 6.2.5, 6.2.8, 6.2.11, 6.2.12, or 9.1 (b)), or 7.1(c) through 7.1(j) or (ii) with respect to a Blocked Account not containing proceeds of Receivables attributable to the PEO Business, either (A) the occurrence and continuation of an Event of Default or (B) the passage of five (5) days after FINOVA gives written notice to DSI that FINOVA has determined, in its Permitted Discretion, that the transfer of Receivables collections to FINOVA is advisable to protect FINOVA's rights and remedies and FINOVA intends to instruct the bank maintaining the Blocked Account to transfer funds in the Blocked Account only to FINOVA.

"Change of Control" means (i) a "person" or a "group" (within the meaning of Sections 13(d) and 14(d)(ii) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) becomes the ultimate "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 30% of the total voting power of the voting stock of DSI on a fully diluted basis or (ii) a majority of the Board of Directors of DSI then in office shall not consist of individuals who on the Closing Date constitute the Board of Directors of DSI, or new directors whose election, or whose nomination for election by stockholders, was approved by at least two thirds of the members of the Board of Directors then in office who were either members of the Board of Directors on the Closing Date or whose election or nomination was previously so approved

"Closing Fee" has the meaning set forth in the Schedule.

"Closing Date" means the date of the initial advance made by FINOVA pursuant to the Original Agreement.

"Code" means the Uniform Commercial Code as adopted and in effect in the State of Arizona from time to time.

"Collateral" has the meaning set forth in Section 3.1 hereof.

"Current Assets" at any date means the amount at which the current assets of DSI and its subsidiaries would be shown on a consolidated balance sheet of DSI and its subsidiaries as at such date, prepared in accordance with GAAP, provided that amounts due from Affiliates and investments in Affiliates shall be excluded therefrom.

"Current Liabilities" at any date means the amount at which the current liabilities of DSI and its subsidiaries would be shown on a consolidated balance sheet of DSI and its subsidiaries as at such date, prepared in accordance with GAAP.

"Deposit Accounts" has the meaning set forth in Section 9105 of the Code.

"Dominion Account" has the meaning set forth in Section 2.10(c) hereof.

"DSI" means Digital Solutions, Inc., a New Jersey corporation.

"Eligible Receivables" of a Borrower means Receivables of such Borrower arising in the ordinary course of such Borrower's business from the sale of goods or rendition of services, which FINOVA, in its Permitted Discretion, shall deem eligible based on such considerations as FINOVA may from time to time deem appropriate. Without limiting the foregoing, a Receivable shall not be deemed to be an Eligible Receivable if (i) the account debtor has failed to pay the Receivable within a period of sixty (60) days after invoice date, to the extent of any amount remaining unpaid after such period; (ii) the account debtor has failed to pay more than 25% of all outstanding Receivables owed by it to any Borrower within sixty (60) days after invoice date; (iii) the account debtor is an Affiliate of any Borrower; (iv) the services relating thereto are sold on terms pursuant to which payment by the account debtor may be conditional; (v) the account debtor is not located in the United States, unless the Receivable is supported by a letter of credit or other form of guaranty or security, in each case in form and substance satisfactory to FINOVA; (vi) the account debtor is the United States or any department, agency or instrumentality thereof, unless the applicable Borrower has complied with the Federal Assignment of Claims Act with respect to such Receivable, or the account debtor is any state, city or municipality of the United States, or any department, agency, or instrumentality thereof, if any action other than pursuant to the Uniform Commercial Code is required to perfect FINOVA's security interest in such Receivable, unless such action has been taken to the satisfaction of FINOVA; (vii) any Borrower is or may become liable to the account debtor for goods sold or services rendered by the account debtor to any Borrower; (viii) the account debtor's total obligations to any Borrower exceed 15% of all Eligible Receivables of such Borrower, to the extent of such excess; (ix) the account debtor disputes liability or makes any claim with respect thereto (up to the amount of such liability or claim), or is subject to any insolvency or bankruptcy proceeding, or becomes insolvent, fails or goes out of a material portion of its business; (x) the amount thereof consists of late charges or finance charges; (xi) the amount thereof consists of a credit balance more than sixty (60) days past due; (xii) the face amount thereof exceeds \$20,000, unless accompanied by evidence of the performance of the services relating thereto satisfactory to FINOVA in its Permitted Discretion; (xiii) the invoice constitutes a progress billing on a project not yet completed, except that the final billing at such time as the matter has been completed may be deemed an Eligible Receivable; (xiv) the amount thereof is not yet represented by an invoice or bill issued in the name of the applicable account debtor; (xv) the Receivable relates to or arises from the PEO Business; or (xvi) the Receivable represents amounts subject to any lien, security interest or other encumbrance (except solely in favor of FINOVA), any trust or fiduciary obligation, or any claim of beneficial right or interest of any third party, to the extent of the amount so subject, as determined by FINOVA in its Permitted Discretion.

"Equipment" means all of a Borrower's present and hereafter acquired machinery, molds, machine tools, motors, furniture, equipment, furnishings, fixtures, trade fixtures, motor vehicles, tools, parts, dyes, jigs, goods and other tangible personal property (other than Inventory) of every kind and description used in such Borrower's operations (to the extent of such Borrower's interest therein) or owned by such Borrower and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions or improvements to any of the foregoing, wherever located.

"ERISA" means the Employment Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

"ERISA Affiliate" means each trade or business (whether or not incorporated and whether or not foreign) which is or may hereafter become a

member of a group of which any Borrower is a member and which is treated as a single employer under ERISA Section 4001(b)(1), or IRC Section 414.

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

"Examination Fee" has the meaning set forth in the Schedule.

"Excess Availability" means, as of the date of determination thereof, the amount by which the average daily total principal balance of the Revolving Credit Loans facility which Borrower would be permitted to have outstanding over the prior 30 days, based on the formulas and reserves set forth in the Schedule, plus cash on hand (determined in a manner acceptable to FINOVA) exceeds the sum of the Revolving Credit Loans then actually outstanding, such excess then being reduced by an amount necessary to provide for the payment of all accounts payable of Borrower which are more than 30 days past due date and all book overdrafts (excluding overdrafts attributable to the PEO Business which are expected to be funded by customer transfers or payments within three (3) days after such overdraft is created).

"Excess Cash Flow" means Operating Cash Flow/Permitted less Total Contractual Debt Service.

"FINOVA Affiliate" has the meaning set forth in Section 9.22 hereof.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Boards which are applicable to the circumstances as of the date of determination consistently applied, except that, for the financial covenants set forth in this Agreement, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the audited financial statements delivered to Lender prior to the date hereof.

"General Intangibles" means all general intangibles of a Borrower, whether now owned or hereafter created or acquired by such Borrower, including, without limitation, all choses in action, causes of action, corporate or other business records, Deposit Accounts, inventions, designs, drawings, blueprints, Trademarks, Licenses and Patents, names, trade secrets, goodwill, copyrights, registrations, licenses, franchises, customer lists, security and other deposits, rights in all litigation presently or hereafter pending for any cause or claim (whether in contract, tort or otherwise), and all judgments now or hereafter arising therefrom, all claims of Borrower against FINOVA, rights to purchase or sell real or personal property, rights as a licensor or licensee of any kind, royalties, telephone numbers, proprietary information, purchase orders, and all insurance policies and claims (including without limitation credit, liability, property and other insurance) tax refunds and claims, computer programs, discs, tapes and tape files, claims under guaranties, security interests or other security held by or granted to Borrower to secure payment of any of the Receivables by an account debtor, all rights to indemnification and all other intangible property of every kind and nature (other than Receivables).

"Guarantor(s)" has the meaning set forth in the Schedule.

"Indebtedness for Borrowed Money" means all of a Borrower's present and future obligations, liabilities, debts, claims and indebtedness, contingent, fixed or otherwise, however evidenced, created, incurred, acquired, owing or arising, whether under written or oral agreement, operation of law or otherwise: (i) in respect of borrowed money (including, without limitation, pursuant to the Loan Documents or Capital Leases); (ii) evidenced by a note, debenture, or similar instrument (including, without limitation, all interest on the Obligations); (iii) for the deferred purchase price of property (other than trade payables arising in the ordinary course of business); or (iv) in respect of obligations under conditional sales or other title retention agreements; and all guaranties of any or all of the foregoing; provided, however, that Indebtedness for Borrowed Money shall not include leases that are not Capital Leases.

"Initial Term" has the meaning set forth on the Schedule.

"Inventory" means all of a Borrower's now owned and hereafter acquired goods, merchandise or other personal property, wherever located, to be furnished under any contract of service or held for sale or lease, all raw materials, work in process, finished goods and materials and supplies of any kind, nature or description which are or might be used or consumed in such Borrower's business or used in connection with the manufacture, packing, shipping, advertising, selling or finishing of such goods, merchandise or other personal property, and all documents of title or other documents representing them.

"IRC" means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

"L/C Fee" has the meaning set forth in Section 2.4 hereof.

"Letters of Credit" has the meaning set forth in Section 2.4. hereof.

"Loans" has the meaning set forth in Section 2.2 hereof.

"Loan Documents" means, collectively, this Agreement, any note or notes executed by any Borrower and payable to FINOVA, and any other present or future agreement entered into in connection with this Agreement, together with all alterations, amendments, changes, extensions, modifications, refinancings, refundings, renewals,

replacements, restatements, or supplements, of or to any of the foregoing.

"Loan Party" means each Borrower, each Guarantor, and each other party (other than FINOVA) to any Loan Document.

"Loan Reserves" means, as of any date of determination, such amounts as FINOVA may from time to time establish and revise in good faith reducing the amount of the facility for Revolving Credit Loans which would otherwise be available to Borrower under the lending formula(s) provided in the Schedule: (a) to reflect events, conditions, contingencies or risks which, as determined by FINOVA in good faith, do or may affect either (i) the Collateral or any other property which is security for the Obligations or its value, (ii) the assets, business or prospects of any Borrower or any Guarantor or (iii) the security interests and other rights of FINOVA in the Collateral (including the enforceability, perfection and priority thereof) or (b) to reflect FINOVA's good faith belief that any collateral report or financial information furnished by or on behalf of any Borrower or any Guarantor to FINOVA is or may have been incomplete, inaccurate or misleading in any material respect or (c) in respect of any state of facts which FINOVA determines in good faith constitutes an Event of Default or may, with notice or passage of time or both, constitute an Event of Default.

"Maximum Interest Rate" has the meaning set forth in Section 2.9(c) hereof.

"Merger Agreements" means (i) the Plan and Agreement of Merger and Reorganization, dated as of October 29, 1998, among Digital Solutions, Inc., DGAC I, Inc., DGAC II, Inc., DGAC III, Inc., DGAC IV, Inc., DGAC V, Inc., DGAC VI, Inc., DGAC VII, Inc., DGAC VIII, Inc., DGAC IX, Inc., DGAC X, Inc., and Teamstaff, Inc., Teamstaff II, Inc., Teamstaff III, Inc., Teamstaff IV, Inc., The Teamstaff Companies, Inc., Teamstaff Holding Company, Inc., Employer Support Services, Inc., Teamstaff U.S.A., Inc., Teamstaff Insurance Services, Inc., and Warren M. Cason, Dorothy C. Cason, Kirk A. Scoggins, Melissa C. Scoggins, as Trustee, Warren M. Cason, Jr., as Trustee, and (ii) the Plan and Agreement of Merger and Reorganization, dated as of October 29, 1998, among Digital Solutions, Inc., DGAC V, Inc., and Teamstaff V, Inc., and Warren M. Cason, Dorothy C. Cason, Kirk A. Scoggins, Melissa C. Scoggins, as Trustee, Warren M. Cason, Jr., as Trustee.

"Merger Documents" has the meaning set forth in Section 4.2(v) hereof.

"Multiemployer Plan" means a "multiemployer plan" as defined in ERISA Sections 3(37) or 4001(a)(3) or IRC Section 414(f) which covers employees of any Borrower or any ERISA Affiliate.

"Net Worth" at any date means the net worth of DSI and its subsidiaries as determined on a consolidated basis in accordance with GAAP.

"New Borrower" means each of The Teamstaff Companies, Inc., Teamstaff, Inc., Teamstaff II, Inc., Teamstaff III, Inc., Teamstaff IV, Inc., Teamstaff V, Inc., Teamstaff U.S.A., Inc., Teamstaff Insurance Services, Inc., Teamstaff Holding Company, Inc., and Employer Support Services, Inc. (collectively the "New Borrowers")

"Obligations" means all present and future loans, advances, debts, liabilities, obligations, covenants, duties and indebtedness at any time owing by any Borrower to FINOVA, whether evidenced by this Agreement, any note or other instrument or document, whether arising from an extension of credit, opening of a letter of credit, banker's acceptance, loan, guaranty, indemnification or otherwise, whether direct or indirect (including, without limitation, those acquired by assignment and any participation by FINOVA in any Borrower's debts owing to others), absolute or contingent, due or to become due, including, without limitation, all interest, charges, expenses, fees, attorney's fees, expert witness fees, Examination Fee, letter of credit fees, Closing Fee, Termination Fee, Success Fee, and any other sums chargeable to Borrower hereunder or under any other agreement with FINOVA.

"Operating Cash Flow/Actual" means, for any period net income or loss of DSI and its subsidiaries (excluding the effect of any gains or losses classified as extraordinary under GAAP), determined on a consolidated basis in accordance with GAAP, plus or minus each of the following items, to the extent deducted from or added to the revenues in the calculation of such net income or loss: (i) depreciation; (ii) amortization and other non-cash charges; (iii) interest expense and financing fees (including, without limitation, the Success Fee, the Unused Line Fee, the L/C Fee, and the Examination Fee) paid or accrued; and (iv) total federal and state income tax expense determined as the accrued liability of DSI and its subsidiaries in respect of such period, regardless of what portion of such expense has actually been paid by any of DSI and its subsidiaries during such period; and after deduction for each of (a) federal and

state income taxes, to the extent actually paid during such period; (b) any non-cash income; and (c) all actual Capital Expenditures made during such period and not financed.

"Operating Cash Flow/Permitted" means, for any period, net income or loss of DSI and its subsidiaries (excluding the effect of any gains or losses classified as extraordinary under GAAP), determined on a consolidated basis in accordance with GAAP, plus or minus each of the following items, to the extent deducted from or added to the revenues of DSI and its subsidiaries in the calculation of net

income or loss: (i) depreciation; (ii) amortization and other non-cash charges; (iii) interest expense and financing fees (including, without limitation, the Success Fee, the Unused Line Fee, the L/C Fee, and the Examination Fee) paid or accrued; and (iv) total federal and state income tax expense determined as the accrued liability of DSI and its subsidiaries in respect of such period, regardless of what portion of such expense has actually been paid by any of DSI and its subsidiaries during such period; and after deduction for each of (a) federal and state income taxes, to the extent actually paid during such period; (b) any non-cash income; and (c) all Capital Expenditures permitted hereunder (without regard to any waiver given by FINOVA with respect to any limitation on such Capital Expenditures) actually made during such period and not financed.

"Original Agreement" means the Loan and Security Agreement, dated April 28, 1998, between FINOVA and the borrowers party thereto, which is amended and restated hereby.

"Overadvance" has the meaning set forth in Section 2.3.

"Overline" has the meaning set forth in Section 2.3.

"PBGC" means the Pension Benefit Guarantee Corporation.

"PEO Business" means the professional employer organization, or "employee leasing", line of business of Borrowers pursuant to which Borrowers assume the employer responsibilities and obligations with respect a customer's workforce and provide the services of such workforce to the customer on a contractual basis.

"Permitted Discretion" means FINOVA's judgment exercised in good faith based upon its consideration of any factor which FINOVA believes in good faith: (i) will or could materially, adversely affect the value of any Collateral, the enforceability or priority of FINOVA's liens thereon or the amount which FINOVA would be likely to receive (after giving consideration to delays in payment and costs of enforcement) in the liquidation of such Collateral; (ii) suggests that any collateral report or financial information delivered to FINOVA by any Person on behalf of any Borrower is incomplete, inaccurate or misleading in any material respect; (iii) materially increases the likelihood of a bankruptcy, reorganization or other insolvency proceeding involving any Borrower, any other Loan Party or any of the Collateral, or (iv) creates or reasonably could be expected to create an Event of Default. In exercising such judgment, FINOVA may consider such factors already included in or tested by the definition of Eligible Receivables as well as any of the following: (i) the financial and business climate of the Borrowers' industry and general macroeconomic conditions, (ii) changes in collection history and dilution with respect to the Receivables, (iii) changes in demand for, and pricing of, Borrowers' services, (iv) changes in any concentration of risk with respect to Receivables, and (v) any other factors that change the credit risk of lending to the Borrowers on the security of the Receivables or on the basis of the Borrowers' cash flow. The burden of establishing lack of good faith hereunder shall be on the Borrowers.

"Permitted Encumbrance" means each of the liens, mortgages and other security interests set forth on the Schedule.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, government, or any agency or political division thereof, or any other entity.

"Plan" means any plan described in ERISA Section 3(2) maintained for employees of any Borrower or any ERISA Affiliate, other than a Multiemployer Plan.

"Prepared Financials" means the consolidated balance sheets of DSI and its subsidiaries of the date set forth in the Schedule in the section entitled 'Reporting Requirements' , and as of each subsequent date on which audited balance sheets are delivered to FINOVA from time to time hereunder, and the related statements of operations, changes in stockholder's equity and changes in cash flow for the periods ended on such dates.

"Prime Rate" has the meaning set forth in the Schedule.

"Prohibited Transaction" means any transaction described in Section 406 of ERISA which is not exempt by reason of Section 408 of ERISA, and any transaction described in Section 4975(c) of the IRC which is not exempt by reason of Section 4975(c)(2) of the IRC.

"Receivables" means all of a Borrower's now owned and hereafter acquired accounts (whether or not earned by performance), proceeds of any letters of credit naming such Borrower as beneficiary, contract rights, chattel

paper, instruments, documents and all other forms of obligations at any time owing to such Borrower, all guaranties and other security therefor, whether secured or unsecured, all merchandise returned to or repossessed by such Borrower, and all rights of stoppage in transit and all other rights or remedies of an unpaid vendor, lienor or secured party.

"Renewal Term" has the meaning set forth on the Schedule.

"Reportable Event" means a reportable event described in Section 4043 of ERISA or the regulations thereunder, a withdrawal from a Plan described in Section 4063 of ERISA, or a cessation of operations described in Section 4068(f) of ERISA.

"Revolving Credit Loans" has the meaning set forth in the Schedule.

"Revolving Credit Limit" has the meaning set forth in the Schedule.

"Revolving Interest Rate" has the meaning set forth in the Schedule.

"Schedule" has the meaning set forth in the preamble.

"Start Date" has the meaning set forth in the Schedule.

"Success Fee" has the meaning set forth in the Schedule.

"Term Loans" has the meaning set forth in the Schedule.

"Termination Fee" has the meaning set forth in Section 9.2(d) hereof.

"Total Contractual Debt Service" means, for any period, the sum of payments made or required to be made by the Borrowers during such period for (i) interest and scheduled principal payments due on the Term Loans (excluding voluntary prepayment and payments made from Excess Cash Flow, as required pursuant to the Schedule), (ii) interest payments due on the Revolving Credit Loans plus the Unused Line Fee, the Success Fee, the L/C Fee, and the Examination Fee, and any other fees due to FINOVA, and (iii) interest and scheduled principal payments due or any other Indebtedness for Borrowed Money of Borrower.

"Total Facility" has the meaning set forth in Section 2.1 hereof.

"Trademarks, Copyrights, Licenses and Patents" means all of a Borrower's right, title and interest in and to, whether now owned or hereafter acquired: (i) trademarks, trademark registrations, trade names, trade name registrations, and trademark or trade name applications, including without limitation such as are listed on the Schedule, as the same may be amended from time to time, and (a) renewals thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including without limitation, damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, (d) all rights corresponding thereto throughout the world, and (e) the goodwill of the businesses operated by any or all of the Borrowers connected with and symbolized by any trademarks or trade names; (ii) copyrights, copyright registrations and copyright applications, including without limitation such as are listed on the Schedule, as the same may be amended from time to time, and (a) renewals thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including without limitation, damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, and (d) all rights corresponding thereto throughout the world; (iii) license agreements, including without limitation such as are listed on the Schedule, and the right to prepare for sale, sell and advertise for sale any services or any Inventory now or hereafter owned by any Borrower and now or hereafter covered by such licenses; and (iv) patents and patent applications, registered or pending, including without limitation such as are listed on the Schedule, together with all income, royalties, shop rights, damages and payments thereto, the right to sue for infringements thereof, and all rights thereto throughout the world and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof.

"Unused Line Fee" has the meaning set forth in the Schedule.

1.2 Other Terms. All accounting terms used in this Agreement, unless otherwise indicated, shall have the meanings given to such terms in accordance with GAAP. All other terms contained in this Agreement, unless otherwise indicated, shall have the meanings provided by the Code, to the extent such terms are defined therein.

## 2. LOANS; INTEREST RATE AND OTHER CHARGES.

2.1 Total Facility. Upon the terms and conditions set forth herein and provided that no Event of Default or event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default, shall have occurred and be continuing, FINOVA shall, upon DSI's request on behalf of the Borrowers, make advances to Borrowers from time to time in an aggregate outstanding principal amount not to exceed the Total Facility amount (the "TOTAL FACILITY") set forth on the Schedule hereto, subject to deduction of reserves

for accrued interest and such other reserves as FINOVA deems proper from time to time, and less amounts FINOVA may be obligated to pay in the future on behalf of any Borrower. The Schedule is an integral part of this Agreement and all references to "herein", "herewith" and words of similar import shall for all purposes be deemed to include the Schedule.

2.2 Loans. Advances under the Total Facility ("LOANS" and individually, a "LOAN") shall be comprised of the amounts shown on the Schedule.

2.3 Overlines; Overadvances. If at any time or for any reason the outstanding amount of advances (including all Letters of Credit) extended or issued pursuant hereto exceeds any of the dollar limitations ("OVERLINE") or percentage limitations ("OVERADVANCE") in the Schedule, then the Borrowers shall, jointly and severally, upon FINOVA's demand, immediately pay to FINOVA, in cash, the full amount of such Overline or Overadvance which, at FINOVA's option, may be applied to reduce the outstanding principal balance of the Loans and/or cash collateralize all or any part of any outstanding Letters of Credit. Without limiting Borrowers' obligation to repay to FINOVA on demand the amount of any Overline or Overadvance, each Borrower jointly and severally agrees to pay FINOVA interest on the outstanding principal amount of any Overline or Overadvance, on demand, at the rate set forth on the Schedule and applicable to the Revolving Credit Loans.

2.4 Letters of Credit. At the request of DSI on behalf of Borrowers, FINOVA may, in its Permitted Discretion, arrange for the issuance of letter of credit for the account of Borrowers and guarantees of payment of such letters of credit, in each case in form and substance satisfactory to FINOVA in its sole discretion (collectively, "LETTERS OF CREDIT"). The aggregate face amount of all outstanding Letters of Credit from time to time shall not exceed the amount shown on the Schedule, and shall be reserved against the availability of Revolving Credit Loans. Borrowers shall jointly and severally pay all bank charges for the issuance of Letters of Credit, together with an additional fee to FINOVA equal to the percentage set forth on the Schedule of the aggregate face amount of each Letter of Credit outstanding from time to time during the term of this Agreement (the "L/C FEE"). The L/C Fee shall be deemed to be fully earned upon the issuance of each Letter of Credit and shall be due and payable on the first Business Day of each month following a month during which any Letter of Credit is outstanding. Any advance by FINOVA under or in connection with a Letter of Credit shall constitute an Obligation hereunder. Each Letter of Credit shall have an expiry date no later than thirty (30) days prior to the last day of the Initial Term or, if issued during any Renewal Term no later than thirty (30) days prior to the last day of such Renewal Term. Immediately upon any termination of this Agreement, Borrowers shall either: (i) provide cash collateral to FINOVA in an amount equal to 105% of the maximum amount of FINOVA's obligations under or in connection with all then outstanding Letters of Credit, or (ii) cause to be delivered to FINOVA releases of all FINOVA's obligations under outstanding Letters of Credit. At FINOVA's discretion, any proceeds of Collateral received by FINOVA may be held as the cash collateral required by this Section 2.4. Each Borrower hereby agrees jointly and severally to indemnify, save, and hold FINOVA harmless from any loss, cost, expense, or liability, including payments made by FINOVA, expenses, and reasonable attorneys' fees incurred by FINOVA arising out of or in connection with any Letters of Credit. Each Borrower agrees to be bound by the issuing bank's regulations and interpretations of any Letters of Credit guaranteed by FINOVA and opened for a Borrower's account or by FINOVA's interpretations of any Letter of Credit issued by FINOVA for a Borrower's account, and each Borrower understands and agrees that FINOVA shall not be liable for any error, negligence, or mistake, whether of omission or commission, in following any Borrower's instructions or those contained in the Letters of Credit or any modifications, amendments, or supplements thereto. Each Borrower understands that FINOVA may indemnify the bank issuing a Letter of Credit for certain costs or liabilities arising out of claims by a Borrower against such issuing bank. Each Borrower hereby agrees jointly and severally to indemnify and hold FINOVA harmless with respect to any loss, cost, expense, or liability incurred by FINOVA under any such indemnification by FINOVA to any issuing bank.

2.5 Loan Account. All advances made hereunder (including without limitation all advances made by FINOVA under or in connection with any Letter of Credit) shall be added to and deemed part of the Obligations when made. FINOVA may from time to time charge all Obligations of Borrower to such Borrower's loan account with FINOVA.

2.6 Interest; Fees. Borrower shall jointly and severally pay FINOVA interest on the daily outstanding balance of the Obligations at the per annum rates set forth on the Schedule. Borrowers shall also jointly and severally pay FINOVA the fees set forth on the Schedule.

2.7 Default Interest Rate. Upon the occurrence and during the continuation of an Event of Default, Borrowers shall jointly and severally pay FINOVA interest on the daily outstanding balance of the Obligations and any L/C Fee at a rate per annum which is two percent (2%) in excess of the rate which would otherwise be applicable thereto pursuant to the Schedule.

2.8 Examination Fee. Borrowers agrees to pay jointly and severally to FINOVA the Examination Fee in the amount set forth on the Schedule in connection

with each audit or examination of Borrowers performed by FINOVA prior to or after the date hereof. Without limiting the generality of the foregoing, Borrowers shall jointly and severally pay to FINOVA an initial Examination Fee in an amount equal to the amount set forth on the Schedule. Such initial Examination Fee shall be deemed fully earned at the time of payment and due and payable upon the closing of this transaction, and shall be deducted from any good faith deposit

paid by Borrowers to FINOVA prior to the date of this Agreement.

## 2.9 Excess Interest.

(a) The contracted for rates of interest of the loans contemplated hereby, without limitation, shall consist of the following: (i) the interest rates set forth on the Schedule, calculated and applied to the principal balance of the Obligations in accordance with the provisions of this Agreement; (ii) interest after an Event of Default, calculated and applied to the amount of the Obligations in accordance with the provisions hereof; and (iii) all Additional Sums (as herein defined), if any. Each Borrower agrees to pay an effective contracted for rate of interest which is the sum of the above-referenced elements. The Examination Fee, attorneys fees, expert witness fees, letter of credit fees, Closing Fee, Termination Fee, Success Fee, other charges, goods, things in action or any other sums or things of value paid or payable by Borrower (collectively, the "ADDITIONAL SUMS"), whether pursuant to this Agreement or any other documents or instruments in any way pertaining to this lending transaction, or otherwise with respect to this lending transaction, that under any applicable law may be deemed to be interest with respect to this lending transaction, for the purpose of any applicable law that may limit the maximum amount of interest to be charged with respect to this lending transaction, shall be payable by Borrowers as, and shall be deemed to be, additional interest and for such purposes only, the agreed upon and "contracted for rate of interest" of this lending transaction shall be deemed to be increased by the rate of interest resulting from the inclusion of the Additional Sums.

(b) It is the intent of the parties to comply with the usury laws of the State of Arizona (the "APPLICABLE USURY LAW"). Accordingly, it is agreed that notwithstanding any provisions to the contrary in this Agreement, or in any of the documents securing payment hereof or otherwise relating hereto, in no event shall this Agreement or such documents require the payment or permit the collection of interest in excess of the maximum contract rate permitted by the Applicable Usury Law (the "MAXIMUM INTEREST RATE"). In the event (a) any such excess of interest otherwise would be contracted for, charged or received from Borrowers or otherwise in connection with the loans evidenced hereby, or (b) the maturity of the Obligations is accelerated in whole or in part, or (c) all or part of the Obligations shall be prepaid, so that under any of such circumstances the amount of interest contracted for, charged or received in connection with the loans evidenced hereby, would exceed the Maximum Interest Rate, then in any such event (1) the provisions of this paragraph shall govern and control, (2) neither the Borrowers nor any other Person now or hereafter liable for the payment of the Obligations shall be obligated to pay the amount of such interest to the extent that it is in excess of the Maximum Interest Rate, (3) any such excess which may have been collected shall be either applied as a credit against the then unpaid principal amount of the Obligations or refunded to Borrowers, at FINOVA's option, and (4) the effective rate of interest shall be automatically reduced to the Maximum Interest Rate. It is further agreed, without limiting the generality of the foregoing, that to the extent permitted by the Applicable Usury Law; (x) all calculations of interest which are made for the purpose of determining whether such rate would exceed the Maximum Interest Rate shall be made by amortizing, prorating, allocating and spreading during the period of the full stated term of the loans evidenced hereby, all interest at any time contracted for, charged or received from Borrowers or otherwise in connection with such loan; and (y) in the event that the effective rate of interest on the loan should at any time exceed the Maximum Interest Rate, such excess interest that would otherwise have been collected had there been no ceiling imposed by the Applicable Usury Law shall be paid to FINOVA from time to time, if and when the effective interest rate on the loan otherwise falls below the Maximum Interest Rate, to the extent that interest paid to the date of calculation does not exceed the Maximum Interest Rate, until the entire amount of interest which would otherwise have been collected had there been no ceiling imposed by the Applicable Usury Law has been paid in full. Each Borrower further agrees that should the Maximum Interest Rate be increased at any time hereafter because of a change in the Applicable Usury Law, then to the extent not prohibited by the Applicable Usury Law, such increases shall apply to all indebtedness evidenced hereby regardless of when incurred; but, again to the extent not prohibited by the Applicable Usury Law, should the Maximum Interest Rate be decreased because of a change in the Applicable Usury Law, such decreases shall not apply to the indebtedness evidenced hereby regardless of when incurred.

## 2.10 Principal Payments; Proceeds of Collateral.

(a) Principal Payments. Except where evidenced by notes or other instruments issued or made by a Borrower to FINOVA specifically containing payment provisions which are in conflict with this Section 2.10 (in which event the conflicting provisions of said notes or other instruments shall govern and control), that portion of the Obligations consisting of principal payable on

account of Loans shall be payable jointly and severally by Borrowers to FINOVA immediately upon the earliest of (i) the receipt by FINOVA or Borrowers of any proceeds of any of the Collateral, to the extent of said proceeds during any period when funds in a Blocked Account or Dominion Account are being transferred to FINOVA in accordance with subsections (b) and (c) below, (ii) the occurrence of an Event of Default in consequence of which FINOVA elects to accelerate the maturity and payment of such loans, or (iii) any termination of this Agreement pursuant to Section 9.2 hereof; provided, however, that any Overadvance or Overline shall be payable on demand pursuant to the provisions of Section 2.3 hereof.

(b) Collections. Until FINOVA notifies Borrowers to the contrary, Borrowers may make collection of all Receivables for FINOVA and shall receive all such payments or sums as trustee of FINOVA and immediately cause all such payments or sums to be deposited into a Blocked Account. No borrower shall commingle collections of Receivables attributable to the PEO Business with collections of any other Collateral. Whenever an Event of Default has occurred and is continuing, FINOVA or its designee may, at any time, notify account debtors that the Receivables have been assigned to FINOVA and of FINOVA's security interest therein, and may collect the Receivables directly and charge the collection costs and expenses to Borrowers' loan accounts. Each Borrower agrees that, in computing the charges under this Agreement, all items of payment shall be deemed applied by FINOVA on account of the Obligations on the Business Day of receipt by FINOVA of good funds which have been finally credited to FINOVA's account, whether such funds are received directly from a Borrower or from the Blocked Account bank, pursuant to Section 2.10(c) hereof, and this provision shall apply regardless of the amount of the Obligations outstanding or whether any Obligations are outstanding; provided, that if any such good funds are received after 12:00 p.m. noon (Los Angeles time) on any Business Day or at any time on any day not constituting a Business Day, such funds shall be deemed received on the immediately following Business Day. FINOVA is not, however, required to credit any Borrower's account for the amount of any item of payment which is unsatisfactory to FINOVA in its Permitted Discretion and FINOVA may charge the applicable Borrower's loan account for the amount of any item of payment which is returned to FINOVA unpaid.

(c) Establishment of a Blocked Account or Dominion Account. Unless each Borrower shall be otherwise directed by FINOVA in writing, each Borrower shall cause all proceeds of Collateral to be deposited into or such "blocked accounts" as FINOVA may require (each, a "BLOCKED ACCOUNT") pursuant to an arrangement with such bank as may be selected by Borrowers and be acceptable to FINOVA. Unless otherwise provided herein, all proceeds in the Blocked Accounts shall be available to Borrowers in accordance with the regulations of such bank for use in the ordinary course of business. If a Cash Dominion Event has occurred and is continuing, then upon written notice from FINOVA to the bank maintaining a Blocked Account all proceeds in such Blocked Account shall be transferred on a regular basis in immediately available funds only to FINOVA or for its account as FINOVA may direct, and applied in payment of the Obligations in such order as FINOVA determines in its sole discretion. Each Borrower shall issue to any such bank an irrevocable letter of instruction directing said bank to make available or transfer such funds so deposited as provided in the immediately preceding sentence. All funds deposited in a Blocked Account shall be at all times subject to FINOVA's security interest and Borrowers shall obtain the agreement by such bank to waive any offset rights against the funds so deposited. FINOVA assumes no responsibility for any Blocked Account arrangement, including without limitation, any claim of accord and satisfaction or release with respect to deposits accepted by any bank thereunder. Alternatively, if a Cash Dominion Event described in clause (i) or (ii) (A) of the definition thereof has occurred and is continuing, FINOVA may establish depository accounts in the name of FINOVA at a bank or banks for the deposit of such funds (each, a "DOMINION ACCOUNT") and each Borrower shall deposit all proceeds of Receivables and all cash proceeds of any sale, to the extent permitted herein, of Equipment or cause same to be deposited, in kind, in such Dominion Accounts of FINOVA in lieu of depositing same to Blocked Accounts, and, unless otherwise provided herein, all such funds shall be applied by FINOVA to the Obligations in such order as FINOVA determines in its sole discretion.

(d) Payments Without Deductions. Each Borrower shall pay principal, interest, and all other amounts payable hereunder, or under any other Loan Document, without any deduction whatsoever, including, but not limited to, any deduction for any setoff or counterclaim.

(e) Collection Days Upon Repayment. In the event any Borrower repays the Obligations in full at any time hereafter, such payment in full shall be credited (conditioned upon final collection) to such Borrower's loan account on the Business Day of FINOVA's receipt thereof, determined in accordance with Section 2.10(b).

(f) Monthly Accountings. FINOVA shall provide Borrowers monthly with an account of advances, charges, expenses and payments made pursuant to this Agreement. Such account shall be deemed correct, accurate and binding on Borrowers and an account stated (except for reverses and reapplications of payments made and corrections of errors discovered by FINOVA), unless DSI notifies FINOVA in writing to the contrary within thirty (30) days after each account is rendered, describing the nature of any alleged errors or admissions.

2.11 Application of Collateral. Except as otherwise provided herein, FINOVA shall have the continuing and exclusive right to apply or reverse and re-apply any and all payments to any portion of the Obligations in such order and manner as FINOVA shall determine in its sole discretion; provided, however,

that so long as no Event of Default has occurred and is continuing, any payment designated by Borrowers as being made in respect of principal of or interest on the Term Loans shall be applied as designated by Borrowers. To the extent that a Borrower makes a payment or FINOVA receives any payment or proceeds of the Collateral for any Borrower's benefit which is subsequently invalidated, declared to be fraudulent or preferential, set aside or required

to be repaid to a trustee, debtor in possession, receiver or any other party under any bankruptcy law, common law or equitable cause, or otherwise, then, to such extent, all Obligations or part thereof intended to be satisfied shall be revived and continue as if such payment or proceeds had not been received by FINOVA.

2.12 Application of Payments. The amount of all payments or amounts received by FINOVA with respect to the Loans shall be applied to the extent applicable under this Agreement: (i) first, to accrued interest through the date of such payment, including any Default Interest; (ii) then, to any late fees, overdue risk assessments, Examination Fee and expenses, collection fees and expenses and any other fees and expenses due to FINOVA hereunder; and (iii) last, the remaining balance, if any, to the unpaid principal balance of the Loans; provided however, while an Event of Default exists under this Agreement, or under any other Loan Document, each payment hereunder shall be (x) held as cash collateral to secure Obligations relating to any Letters of Credit or other contingent obligations arising under the Loan Documents and/or (y) applied to amounts owed to FINOVA by Borrowers as FINOVA in its sole discretion may determine. In calculating interest and applying payments as set forth above: (a) interest shall be calculated and collected through the date a payment is actually applied by FINOVA under the terms of this Agreement; (b) interest on the outstanding balance shall be charged during any grace period permitted hereunder; (c) at the end of each month, all accrued and unpaid interest and other charges provided for hereunder shall be added to the principal balance of the Loan; and (d) to the extent that any Borrower makes a payment or FINOVA receives any payment or proceeds of the Collateral for such Borrower's benefit that is subsequently invalidated, set aside or required to be repaid to any other Person, then, to such extent, all Obligations to which such payment or proceeds were applied or intended to be applied shall be revived and continue as if such payment or proceeds had not been received by FINOVA, and FINOVA may adjust the Loan balances as FINOVA, in its reasonable judgment, deems appropriate under the circumstances to reverse the effect of such application.

2.13 Notification of Closing. DSI shall provide FINOVA with at least forty-eight (48) hours prior written notice of the Amendment Closing Date, to enable FINOVA to arrange for the availability of funds. In the event the closing does not take place on the date specified in DSI's notice to FINOVA, other than through the fault of FINOVA, each Borrower agrees jointly and severally to reimburse FINOVA for FINOVA's costs to maintain the necessary funds available for the closing, at the respective Term Interest Rates with respect to the corresponding amounts of the Term Loans, and at the Revolving Interest Rate with respect to an amount equal to the initial advance under the Revolving Credit Loans facility which is to be made on the Amendment Closing Date, for the number of days which elapse between the date specified in DSI's notice and the date upon which the closing actually occurs (which number of days shall not include the date specified in DSI's notice, but shall include the Amendment Closing Date).

### 3. SECURITY.

3.1 Security Interest in the Collateral. To secure the payment and performance of the Obligations when due, each Borrower hereby grants to FINOVA a first priority security interest (subject only to Permitted Encumbrances) in all of such Borrower's now owned or hereafter acquired or arising Inventory, Equipment, Receivables, life insurance policies and the proceeds thereof, Trademarks, Copyrights, Licenses and Patents, Investment Property (as defined in Section 9-115 of the Code) and General Intangibles, including, without limitation, all of such Borrower's Deposit Accounts, money, any and all property now or at any time hereafter in FINOVA's possession (including claims and credit balances), and all proceeds (including proceeds of any insurance policies, proceeds of proceeds and claims against third parties), all products and all books and records and computer data related to any of the foregoing (all of the foregoing, together with all other property in which FINOVA may be granted a lien or security interest, is referred to herein, collectively, as the "COLLATERAL").

3.2 Perfection and Protection of Security Interest. Each Borrower shall, at its expense, take all actions requested by FINOVA at any time to perfect, maintain, protect and enforce FINOVA's first priority security interest and other rights in the Collateral and the priority thereof from time to time, including, without limitation, (i) executing and filing financing or continuation statements and amendments thereof and executing and delivering such documents and titles in connection with motor vehicles as FINOVA shall require, all in form and substance satisfactory to FINOVA, (ii) maintaining a perpetual inventory and complete and accurate stock records, (iii) delivering to FINOVA warehouse receipts covering any portion of the Collateral located in warehouses and for which warehouse receipts are issued, and transferring Inventory to warehouses designated by FINOVA, (iv) placing notations on such Borrower's books of account to disclose FINOVA's security interest therein and (v) delivering to

FINOVA all letters of credit on which such Borrower is named beneficiary. FINOVA may file, without any Borrower's signature, one or more financing statements disclosing FINOVA's security interest under this Agreement. Each Borrower agrees that a carbon, photographic, photostatic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement. If any Collateral is at any time in the possession or control of any warehouseman, bailee or any of a Borrower's agents or processors, the applicable Borrower shall notify such Person of FINOVA's security interest in such Collateral and, upon FINOVA's request, instruct them to hold all such Collateral

for FINOVA's account subject to FINOVA's instructions. From time to time, each Borrower shall, upon FINOVA's request, execute and deliver confirmatory written instruments pledging the Collateral to FINOVA, but any Borrower's failure to do so shall not affect or limit FINOVA's security interest or other rights in and to the Collateral. Until the Obligations have been fully satisfied and FINOVA's obligation to make further advances hereunder has terminated, FINOVA's security interest in the Collateral shall continue in full force and effect.

3.3 Preservation of Collateral. FINOVA may, in its Permitted Discretion, at any time discharge any lien or encumbrance on the Collateral or bond the same, pay any insurance, maintain guards, pay any service bureau, obtain any record or take any other action to preserve the Collateral and charge the cost thereof to the applicable Borrower's loan account as an Obligation.

3.4 Insurance. Each Borrower will maintain and deliver evidence to FINOVA of such insurance as is required by FINOVA, written by insurers, in amounts, and with lender's loss payee, additional insured, and other endorsements, satisfactory to FINOVA. All premiums with respect to such insurance shall be paid by each Borrowers as and when due. Accurate and certified copies of the policies shall be delivered by each Borrower to FINOVA. If a Borrower fails to comply with this Section, FINOVA may (but shall not be required to) procure such insurance and endorsements at the Borrowers' expense and charge the cost thereof to the Borrowers' loan accounts as an Obligation.

### 3.5 Collateral Reporting; Inventory.

(a) Invoices. No Borrower shall re-date any invoice or sale from the original date thereof or make sales on extended terms beyond those customary in Borrowers' industry, or otherwise extend or modify the term of any Receivable. If a Borrower becomes aware of any matter materially affecting any Receivable, including information affecting the credit of the account debtor thereon, such Borrower shall promptly notify FINOVA in writing.

(b) Instruments. In the event any Receivable is or becomes evidenced by a promissory note, trade acceptance or any other instrument for the payment of money, the applicable Borrower shall immediately deliver such instrument to FINOVA appropriately endorsed to FINOVA and, regardless of the form of any presentment, demand, notice of dishonor, protest and notice of protest with respect thereto, such Borrower shall remain liable thereon until such instrument is paid in full.

### 3.6 Receivables.

(a) Eligibility. (i) Each Borrower represents and warrants that each of its Receivables covers and shall cover a bona fide sale or lease and delivery by it of goods or the rendition by it of services in the ordinary course of its business, and shall be for a liquidated amount and FINOVA's security interest shall not be subject to any offset, deduction, counterclaim, rights of return or cancellation, lien or other condition. If any representation or warranty herein is breached as to any Receivable or any Receivable ceases to be an Eligible Receivable for any reason other than payment thereof, then FINOVA may, in addition to its other rights hereunder, designate any and all Receivables owing by that account debtor as not Eligible Receivables; provided, that FINOVA shall in any such event retain its security interest in all Receivables, whether or not Eligible Receivables, until the Obligations have been fully satisfied and FINOVA's obligation to provide loans hereunder has terminated.

(ii) FINOVA at any time shall be entitled to (i) establish and increase or decrease reserves against Eligible Receivables, (ii) reduce the advance rates in the Schedule or restore such advance rates to any level equal to or below the advance rates set forth in the Schedule or (iii) impose additional restrictions (or eliminate the same) to the standards of eligibility set forth in the definitions of "Eligible Receivables", in the exercise of its Permitted Discretion. FINOVA may but shall not be required to rely on the schedules and/or reports delivered to FINOVA in connection herewith in determining the then eligibility of Receivables. Reliance thereon by FINOVA from time to time shall not be deemed to limit the right of FINOVA to revise advance rates or standards of eligibility as provided above.

(b) Disputes. Each Borrower shall notify FINOVA promptly of all material disputes or claims and settle or adjust such disputes or claims at no expense to FINOVA, but no discount, credit or allowance shall be granted to any account debtor without FINOVA's consent, except for discounts, credits and allowances made or given in the ordinary course of a Borrower's business. FINOVA may, at any time after the occurrence of an Event of Default, settle or adjust disputes or claims directly with account debtors for amounts and upon terms which FINOVA considers advisable in its reasonable credit judgment and, in all cases, FINOVA shall credit Borrowers' loan accounts with only the net amounts

received by FINOVA in payment of any Receivables.

3.7 Equipment. Each Borrower shall keep and maintain the Equipment in good operating condition and repair and make all necessary replacements thereto to maintain and preserve the value and operating efficiency thereof at all times consistent with Borrowers' past practice, ordinary wear and tear excepted. No Borrower shall permit any item of Equipment to become a fixture (other than a trade fixture) to real estate or an accession to other property.

3.8 Other Liens; No Disposition of Collateral. Each Borrower represents, warrants and covenants that except for FINOVA's security interest, Permitted Encumbrances, and such other liens, claims and encumbrances as may be permitted by FINOVA in its sole discretion from time to time in writing, (a) all Collateral is and shall continue to be owned by it free and clear of all liens, claims and encumbrances whatsoever and (b) no Borrower shall, without FINOVA's prior written approval, sell, encumber or dispose of or permit the sale, encumbrance or disposal of any Collateral or all or any substantial part of any of its other assets (or any interest of a Borrower therein). In the event FINOVA gives any such prior written approval with respect to any such sale of Collateral, the same may be conditioned on the sale price being equal to, or greater than, an amount acceptable to FINOVA. The proceeds of any such sales of Collateral shall be remitted to FINOVA pursuant to this Agreement for application to the Obligations.

3.9 Collateral Security. The Obligations shall constitute one loan secured by the Collateral. FINOVA may, in its sole discretion, in accordance with the Loan Documents and applicable law, (i) exchange, enforce, waive or release any of the Collateral, (ii) apply Collateral and direct the order or manner of sale thereof as it may determine, and (iii) settle, compromise, collect or otherwise liquidate any Collateral in any manner without affecting its right to take any other action with respect to any other Collateral.

#### 4. CONDITIONS OF CLOSING.

4.1 Initial Advance. The obligation of FINOVA to make the initial advance under the Original Agreement or to issue or arrange for the issuance of the initial Letter of Credit under the Original Agreement is subject to the fulfillment, to the satisfaction of FINOVA and its counsel, of each of the following conditions on or prior to the date set forth on the Schedule:

(a) Loan Documents. FINOVA shall have received each of the following Loan Documents: (i) the Agreement fully and properly executed by Borrower; (ii) a promissory note in such amounts and on such terms and conditions as FINOVA shall specify, executed by Borrower; (iii) Guaranties executed by each of the Guarantors and Support Agreement executed by the applicable parties; (iv) such security agreements, intellectual property assignments, pledge agreements, mortgages and deeds of trust as FINOVA may require with respect to this Agreement and any Guaranties, executed by each of the parties thereto and, if applicable, duly acknowledged for recording or filing in the appropriate governmental offices; (v) such Blocked Account agreements as it shall reasonably determine; and (vi) such other documents, instruments and agreements in connection herewith as FINOVA shall require, executed, certified and/or acknowledged by such parties as FINOVA shall designate;

(b) Minimum Excess Availability. Borrowers shall have Excess Availability under the Revolving Credit Loans facility of not less than the amount specified in the Schedule, after giving effect to the initial advance and the initial Letter of Credit hereunder and after giving effect to any applicable Loan Reserves against borrowing availability under the Revolving Credit Loans.

(c) Terminations by Existing Lender. Borrowers' existing lender shall have executed and delivered UCC termination statements and other documentation evidencing the termination of its liens and security interests in the assets of Borrowers;

(d) Charter Documents. FINOVA shall have received copies of each Borrower's By-laws and Articles or Certificate of Incorporation, as amended, modified, or supplemented to the Closing Date, certified by the Secretary of the applicable Borrower;

(e) Good Standing. FINOVA shall have received a certificate of corporate status with respect to each Borrower, dated within ten (10) days of the Closing Date, by the Secretary of State of the state of incorporation of such Borrower, which certificate shall indicate that such Borrower is in good standing in such state;

(f) Foreign Qualification. FINOVA shall have received certificates of corporate status with respect to each Borrower and each other Loan Party, each dated within ten (10) days of the Closing Date, issued by the Secretary of State of each state in which such party's failure to be duly qualified or licensed would have a material adverse effect on its financial condition or assets, indicating that such party is in good standing;

(g) Authorizing Resolutions and Incumbency. FINOVA shall have received a certificate from the Secretary of each Borrower attesting to (i) the adoption of resolutions of such Borrower's Board of Directors, and shareholders or members if necessary, authorizing the borrowing of money from FINOVA and execution and delivery of this Agreement and the other Loan Documents to which

such Borrower is a party, and authorizing specific officers of such Borrower to execute same, and (ii) the authenticity of original specimen signatures of such officers;

(h) Insurance. FINOVA shall have received the insurance certificates and certified copies of policies required by Section 3.4 hereof, in form and substance satisfactory to FINOVA and its counsel, together with an additional insured endorsement in favor of FINOVA with respect to all liability policies and a lender's loss payable endorsement in favor of FINOVA with respect to all casualty and business interruption

policies, each in form and substance acceptable to FINOVA and its counsel;

(i) Searches; Certificates of Title. FINOVA shall have received searches reflecting the filing of its financing statements and fixture filings in such jurisdictions as it shall determine, and shall have received certificates of title with respect to the Collateral which shall have been duly executed in a manner sufficient to perfect all of the security interests granted to FINOVA;

(j) Landlord, Bailee and Mortgagee Waivers. FINOVA shall have received landlord, bailee and/or mortgagee waivers from the lessors, bailees and/or mortgagees of all locations where any Collateral is located;

(k) Fees. Borrowers shall have paid all fees payable by them on the Closing Date pursuant to this Agreement;

(l) Opinion of Counsel. FINOVA shall have received an opinion of Borrowers' counsel covering such matters as FINOVA shall determine in its sole discretion;

(m) Officer Certificate. FINOVA shall have received a certificate of the President and the Chief Financial Officer or similar officer of DSI, attesting to the accuracy of each of the representations and warranties of Borrowers set forth in this Agreement and the fulfillment of all conditions precedent to the initial advance hereunder;

(n) Solvency Certificate. If requested, FINOVA shall have received a signed certificate of the DSI's duly elected Chief Financial Officer concerning the solvency and financial condition of Borrowers, on FINOVA's standard form;

(o) Blocked Account. The Blocked Accounts referred to in Section 2.10(c) hereof shall have been established to the satisfaction of FINOVA in its sole discretion;

(p) [Intentionally Omitted]

(q) Environmental Certificate. FINOVA shall have received an Environmental Certificate from Borrowers, in form and substance satisfactory to FINOVA in its discretion, with respect to all locations of Collateral;

(r) Search and References. FINOVA shall have received and approved the results of UCC, tax lien, litigation, judgment, and bankruptcy searches regarding Borrowers, and members of the senior management of Borrowers, and shall have received satisfactory customer, vendor and credit reference checks on Borrowers.

(s) No Material Adverse Changes. Prior to the Closing Date, there shall have occurred no material adverse change in the financial condition of any Borrower, or in the condition of the assets of any Borrower, from that shown on the Prepared Financials. At the closing, Borrowers shall deliver to FINOVA an officer's certification confirming that Borrowers are unaware of the existence of any such material adverse change.

(t) Material Agreements. FINOVA shall have received, reviewed and approved all material agreements to which any Borrower shall be a party.

(u) Projections. Borrowers shall submit cash flow projections and pro forma balance sheet with adjusting entries (i) showing that the proposed financing will provide sufficient funds for the Borrowers' projected working capital needs, and (ii) showing: (1) that the Borrowers will have reasonably sufficient capital for the conduct of business following the initial funding, and (2) that no Borrower will incur debts beyond its ability to pay such debts as they mature.

(v) Opinions. To the extent any Person other than Borrowers shall be parties to the Loan Documents, FINOVA reserves the right to require satisfactory opinions of counsel for each such Person concerning the proper organization of such Person and the due authorization, execution, delivery, enforceability, validity and binding effect of the Loan Documents to which such Person is a party. Each such opinion of counsel shall confirm, to the satisfaction of FINOVA, that the opinion is being delivered to FINOVA at the instruction of the party represented by such counsel, that FINOVA is entitled to rely on such opinion and that for purposes of such reliance, FINOVA is deemed to be in privity with the opining counsel.

(w) ADA Compliance. If necessary, as of the Closing Date, each Borrower shall be in compliance with the Americans with Disabilities Act of 1990 ("ADA"), or, if any renovations of a Borrower's facilities or modifications of a Borrower's employment practices shall be required to bring them into compliance

with the ADA, review and approval by FINOVA of such Borrower's proposed plan to come into such compliance. Each Borrower shall deliver representations and warranties to FINOVA concerning such Borrower's compliance with the ADA, and no evidence shall have come to the attention of FINOVA indicating that any Borrower is not in compliance with the ADA (except to the extent that FINOVA has reviewed and approved such Borrower's plan to come into compliance).

(x) Transaction Costs. Borrowers shall provide to FINOVA a complete, itemized summary of all transaction costs paid or incurred by any Person in connection with the making of the Loans, which transaction costs shall not exceed the amount set forth in the Schedule, as well as appropriate

documentation evidencing such costs and the payment thereof. All such information must be acceptable to FINOVA, in FINOVA's sole discretion, exercised in good faith.

(y) Schedule Conditions. Borrowers shall have complied with all additional conditions precedent as set forth in the Schedule attached hereto.

(z) Other Matters. All other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered, executed and recorded and shall be in form and substance reasonably satisfactory to FINOVA and its counsel including, without limitation, each of the items listed on the Closing Checklist attached as EXHIBIT A hereto.

4.2 Amendment and Restatement; Initial Advances Subsequent to Amendment. The effectiveness of the amendments to the Original Agreement effectuated by this Agreement and the obligation of FINOVA to make Term Loan B and Term Loan C (as defined in the Schedule) is subject to the fulfillment, to the satisfaction of FINOVA and its counsel, of each of the following conditions on or prior to the date set forth on the Schedule:

(a) Loan Documents. FINOVA shall have received each of the following Loan Documents: (i) the Amended and Restated Loan and Security Agreement fully and properly executed by each Borrower; (ii) a promissory note for each of the Term Loans, in such amounts and on such terms and conditions as FINOVA shall specify, executed by Borrower; (iii) an affirmation of the Support Agreement of Donald T. Kelly, dated the Amendment Closing Date, executed by Donald T. Kelly; (iv) such security agreements, intellectual property assignments, pledge agreements, mortgages and deeds of trust as FINOVA may require with respect to this Agreement and any Guaranties, executed by each of the parties thereto and, if applicable, duly acknowledged for recording or filing in the appropriate governmental offices; (v) such other documents, instruments and agreements in connection herewith as FINOVA shall require, executed, certified and/or acknowledged by such parties as FINOVA shall designate;

(b) Minimum Excess Availability. Borrowers shall have Excess Availability under the Revolving Credit Loans facility of not less than the amount specified in the Schedule, after giving effect to the amendments to the Original Agreement effectuated by this Agreement and after giving effect to any applicable Loan Reserves against borrowing availability under the Revolving Credit Loans.

(c) Charter Documents. FINOVA shall have received copies of each Borrower's By-laws and Articles or Certificate of Incorporation, as amended, modified, or supplemented to the Amendment Closing Date, certified by the Secretary of the applicable Borrower;

(d) Good Standing. FINOVA shall have received a certificate of corporate status with respect to each Borrower, dated within ten (10) days of the Amendment Closing Date, by the Secretary of State of the state of incorporation of such Borrower, which certificate shall indicate that such Borrower is in good standing in such state;

(e) Foreign Qualification. FINOVA shall have received certificates of corporate status with respect to each Borrower, each dated within ten (10) days of the Amendment Closing Date, issued by the Secretary of State of each state in which such party's failure to be duly qualified or licensed would have a material adverse effect on its financial condition or assets, indicating that such party is in good standing;

(f) Authorizing Resolutions and Incumbency. FINOVA shall have received a certificate from the Secretary of each Borrower attesting to (i) the adoption of resolutions of such Borrower's Board of Directors, and shareholders or members if necessary, authorizing the borrowing of money from FINOVA and execution and delivery of this Agreement and the other Loan Documents to which such Borrower is a party, and authorizing specific officers of such Borrower to execute same, and (ii) the authenticity of original specimen signatures of such officers;

(g) Searches; Certificates of Title. FINOVA shall have received searches reflecting the filing of its financing statements and fixture filings in such jurisdictions as it shall determine, and shall have received certificates of title with respect to the Collateral which shall have been duly executed in a manner sufficient to perfect all of the security interests granted to FINOVA;

(h) Insurance. FINOVA shall have received the insurance certificates and certified copies of policies required by Section 3.4 hereof with respect to the New Borrowers, in form and substance satisfactory to FINOVA and its counsel, together with an additional insured endorsement in favor of FINOVA with respect

to all liability policies of the New Borrowers and a lender's loss payable endorsement in favor of FINOVA with respect to all casualty and business interruption policies, each in form and substance acceptable to FINOVA and its counsel;

(i) Landlord, Bailee and Mortgagee Waivers. FINOVA shall have received landlord, bailee and/or mortgagee waivers from the lessors, bailees and/or mortgagees of all locations where any Collateral of each New Borrower is located;

(j) Fees. Borrowers shall have paid all fees payable by them on or prior to the Amendment Closing Date pursuant to this Agreement;

(k) Opinion of Counsel. FINOVA shall have received an opinion of Borrowers' counsel covering such matters as FINOVA shall determine in its sole discretion;

(l) Solvency Certificate. FINOVA shall have received a signed certificate of DSI's duly elected Chief Financial Officer concerning the solvency and financial condition of Borrowers after giving effect to this Agreement and the transactions contemplated by the Merger Documents, on FINOVA's standard form;

(m) Environmental Certificate. FINOVA shall have received an Environmental Certificate from New Borrowers, in form and substance to FINOVA in its discretion, with respect to all location of Collateral of New Borrowers;

(n) Search and References. FINOVA shall have received and approved the results of UCC, tax lien, litigation, judgment, and bankruptcy searches regarding the New Borrowers, and members of the senior management of the New Borrowers, and shall have received satisfactory customer, vendor and credit reference checks on the New Borrowers.

(o) No Material Adverse Changes. Prior to the Amendment Closing Date, there shall have occurred no material adverse change in the financial condition of any Borrower, or in the condition of the assets of any Borrower, from that shown on the Prepared Financials. At the closing, Borrowers shall deliver to FINOVA an officer's certification confirming that Borrowers are unaware of the existence of any such material adverse change.

(p) Material Agreements. FINOVA shall have received, reviewed and found satisfactory all material agreements to which any New Borrower shall be a party.

(q) Projections. Borrowers shall submit cash flow projections and pro forma balance sheets with adjusting entries (i) showing that the proposed financing will provide sufficient funds for the Borrowers' projected working capital needs after giving effect to the transactions contemplated by the Merger Documents, and (ii) showing: (1) that the Borrowers will have reasonably sufficient capital for the conduct of business following the effectiveness of this Agreement and the consummation of the financing contemplated hereby and (2) that no Borrower will incur debts beyond its ability to pay such debts as they mature;

(r) ADA Compliance. If necessary, as of the Amendment Closing Date, each New Borrower shall be in compliance with the Americans with Disabilities Act of 1990 ("ADA"), or, if any renovations of a New Borrower's facilities or modifications of a New Borrower's employment practices shall be required to bring them into compliance with the ADA, FINOVA shall have reviewed and found satisfactory such New Borrower's proposed plan to come into such compliance. Each New Borrower shall deliver representations and warranties to FINOVA concerning such New Borrower's compliance with the ADA, and no evidence shall have come to the attention of FINOVA indicating that any New Borrower is not in compliance with the ADA (except to the extent that FINOVA has reviewed and found satisfactory such New Borrower's plan to come into compliance).

(s) Transaction Costs. Borrowers shall provide to FINOVA a complete, itemized summary of all transaction costs paid or incurred by any Person in connection with the making of the Loans, which transaction costs shall not exceed the amount set forth in the Schedule, as well as appropriate documentation evidencing such costs and the payment thereof. All such information must be acceptable to FINOVA, in FINOVA's sole discretion, exercised in good faith.

(t) Schedule Conditions. Borrowers shall have complied with all additional conditions precedent as set forth in the Schedule attached hereto.

(u) Merger Documents. FINOVA must review and find satisfactory the Merger Agreements, including copies of all exhibits and schedules thereto, and all other documents referred to therein, and all other instruments to be executed between the Borrowers and the sellers named in the Merger Agreements (the "SELLERS") in connection with the merger contemplated by the Merger Agreements; all such documents and instruments being referred to herein collectively as the "MERGER DOCUMENTS"). The Merger Documents must contain specific representations and warranties, in form and substance satisfactory to FINOVA, with respect to the accuracy of the financial information submitted by the Sellers, and shall further contain indemnity provisions acceptable to FINOVA which shall address, among other items, liability for environmental contamination and clean up, if any. The transaction contemplated by the Merger

Documents shall have been, or are being simultaneously consummated, in accordance with the terms and conditions reviewed and approved by FINOVA;

(v) Other Matters. All other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered, executed and recorded and shall be in form and substance reasonably satisfactory to FINOVA and its counsel.

4.3 Subsequent Advances. The obligation of FINOVA to make any advance or issue or cause any Letter of

Credit to be issued hereunder (including the initial advance or Letter of Credit) shall be subject to the further conditions precedent that, on and as of the date of such advance or Letter of Credit issuance: (a) the representations and warranties of Borrowers set forth in this Agreement shall be accurate, before and after giving effect to such advance or issuance and to the application of any proceeds thereof; (b) no Event of Default and no event which, with notice or passage of time or both, would constitute an Event of Default has occurred and is continuing, or would result from such advance or issuance or from the application of any proceeds thereof; (c) no material adverse change has occurred in any Borrower's business, operations, financial condition, in the condition of the Collateral or other assets of any Borrower or in the prospect of repayment of the Obligations; and (d) FINOVA shall have received such other approvals, opinions or documents as FINOVA shall reasonably request.

## 5. REPRESENTATIONS AND WARRANTIES.

Each Borrower represents and warrants that:

5.1 Due Organization. It is a corporation duly organized, validly existing and in good standing under the laws of the State set forth on the Schedule, is qualified and authorized to do business and is in good standing in all states in which such qualification and good standing are necessary in order for it to conduct its business and own its property, and has all requisite power and authority to conduct its business as presently conducted, to own its property and to execute and deliver each of the Loan Documents to which it is a party and perform all of its Obligations thereunder, and has not taken any steps to wind-up, dissolve or otherwise liquidate its assets;

5.2 Other Names. Except as set forth on the Schedule, it has not, during the preceding five (5) years, been known by or used any other corporate or fictitious name except as set forth on the Schedule, nor has it been the surviving corporation of a merger or consolidation or acquired all or substantially all of the assets of any Person during such time;

5.3 Due Authorization. The execution, delivery and performance by it of the Loan Documents to which it is a party have been authorized by all necessary corporate action and do not and shall not constitute a violation of any applicable law or of its Articles or Certificate of Incorporation or By-Laws or, after giving effect to the application of the proceeds of the initial Loans, any other document, agreement or instrument to which any Borrower is a party or by which any Borrower or its assets are bound;

5.4 Binding Obligation. Each of the Loan Documents to which it is a party is its legal, valid and binding obligation, enforceable against it in accordance with its terms;

5.5 Intangible Property. It possesses adequate assets, licenses, patents, patent applications, copyrights, trademarks, trademark applications and trade names for the present and planned future conduct of its business without any known conflict with the rights of others;

5.6 Capital. It has capital sufficient to conduct its business, is able to pay its debts as they mature, and owns property having a fair salable value greater than the amount required to pay all of its debts (including contingent debts);

5.7 Material Litigation. It has no pending or overtly threatened litigation, actions or proceedings which would materially and adversely affect its business, assets, operations, prospects or condition, financial or otherwise, or the Collateral or any of FINOVA's interests therein;

5.8 Title; Security Interests of FINOVA. It has good, indefeasible and merchantable title to the Collateral and, upon the execution and delivery of the Loan Documents, the filing of UCC-1 Financing Statements, delivery of the certificate(s) evidencing any pledged securities, the filing of any collateral assignments or security agreements regarding Trademarks, Copyrights, Licenses and Patents, if any, with the appropriate governmental offices, in each case in the appropriate offices, this Agreement and such documents shall create valid and perfected first priority liens in the Collateral, subject only to Permitted Encumbrances;

5.9 Restrictive Agreements; Labor Contracts. It is not a party or subject to any contract or subject to any charge, corporate restriction, judgment, decree or order materially and adversely affecting its business, assets, operations, prospects or condition, financial or otherwise, or which restricts its right or ability to incur Indebtedness, and it is not party to any labor dispute. In addition, no labor contract is scheduled to expire during the Initial Term of this Agreement, except as disclosed to FINOVA in writing prior to the date hereof;

5.10 Laws. It is not in violation of any applicable statute, regulation, ordinance or any order of any court, tribunal or governmental agency, in any respect materially and adversely affecting the Collateral or its business, assets, operations, prospects or condition, financial or otherwise. It has all licenses, permits, registrations, and governmental approvals necessary to conduct its business, and a complete and accurate list thereof is set forth on the Schedule;

5.11 Consents. It has obtained or caused to be obtained or issued any required consent of a governmental agency or other Person in connection with the financing contemplated hereby;

5.12 Defaults. It is not in default with respect to any note, indenture, loan agreement, mortgage, lease, deed or other agreement to which it is a party or by which it or its

assets are bound, nor has any event occurred which, with the giving of notice or the lapse of time, or both, would cause such a default;

5.13 Financial Condition. The Prepared Financials fairly present the financial condition and results of operations of DSI and its subsidiaries as of the date and for the periods thereof in accordance with GAAP; there are no material omissions from the Prepared Financials or other facts or circumstances not reflected in the Prepared Financials; and there has been no material and adverse change in such financial condition or operations since the date of the initial Prepared Financials delivered to FINOVA hereunder;

5.14 ERISA. None of Borrowers, any ERISA Affiliate, or any Plan is or has been in violation of any of the provisions of ERISA, any of the qualification requirements of IRC Section 401(a) or any of the published interpretations thereunder, nor has any Borrower or any ERISA Affiliate received any notice to such effect. No notice of intent to terminate a Plan has been filed under Section 4041 of ERISA, nor has any Plan been terminated under ERISA. The PBGC has not instituted proceedings to terminate, or appointed a trustee to administer, a Plan. No lien upon the assets of any Borrower has arisen with respect to a Plan. No prohibited transaction or Reportable Event has occurred with respect to a Plan. Neither any Borrower nor any ERISA Affiliate has incurred any withdrawal liability with respect to any Multiemployer Plan. Each Borrower and each ERISA Affiliate have made all contributions required to be made by them to any Plan or Multiemployer Plan when due. There is no accumulated funding deficiency in any Plan, whether or not waived;

5.15 Taxes. It has filed all tax returns and such other reports as it is required by law to file and has paid or made adequate provision for the payment on or prior to the date when due of all taxes, assessments and similar charges that are due and payable;

5.16 Locations; Federal Tax ID No. Its chief executive office and the offices and locations where it keeps the Collateral (except for Inventory in transit) are at the locations set forth on the Schedule, except to the extent that such locations may have been changed after notice to FINOVA in accordance with Section 6.4 hereof. Its federal tax identification number is as shown on the Schedule;

5.17 Business Relationships. There exists no actual or threatened termination, cancellation or limitation of, or any modification or change in, the business relationship between it and any customer or any group of customers whose purchases individually or in the aggregate are material to the business of Borrowers, or with any material supplier, and there exists no present condition or state of facts or circumstances which would materially and adversely affect it or prevent it from conducting such business after the consummation of the transactions contemplated by this Agreement in substantially the same manner in which it has heretofore been conducted;

5.18 Year 2000. It has taken all action necessary to assure that there will be no material adverse change to such Borrower's business by reason of the advent of the year 2000, including without limitation that all computer-based systems, embedded microchips and other processing capabilities effectively recognize and process dates after April 1, 1999, except as set forth on Borrowers' annual report on Form 10-K for the fiscal year ended September 30, 1998;

5.19 Closing of Merger. The transactions contemplated by the Merger Documents, in the form reviewed and approved by FINOVA, have been consummated and no party thereto has waived compliance with any of the conditions to its obligations to consummate such transactions; and

5.20 Reaffirmations. Each request for a loan made by a Borrower pursuant to this Agreement shall constitute (i) an automatic representation and warranty by each Borrower to FINOVA that there does not then exist any Event of Default and (ii) a reaffirmation as of the date of said request of all of the representations and warranties of each Borrower contained in this Agreement and the other Loan Documents.

## 6. COVENANTS.

6.1 AFFIRMATIVE COVENANTS. Each Borrower covenants that, so long as any Obligation remains outstanding and this Agreement is in effect, it shall:

6.1.1 Taxes. File all tax returns and pay or make adequate provision for the payment of all taxes, assessments and other charges on or prior to the date when due;

6.1.2 Notice of Litigation. Promptly notify FINOVA in writing of

any litigation, suit or administrative proceeding which may materially and adversely affect the Collateral or its business, assets, operations, prospects or condition, financial or otherwise, whether or not the claim is covered by insurance;

6.1.3 ERISA. Notify FINOVA in writing (i) promptly upon the occurrence of any event described in Paragraph 4043 of ERISA, other than a termination, partial termination or merger of a Plan or a transfer of a Plan's assets and (ii) prior to any termination, partial termination or merger of a Plan or a transfer of a Plan's assets;

6.1.4 Change in Location. Notify FINOVA in writing forty-five (45) days prior to any change in the location of its chief executive office or the location of any Collateral, or its opening or closing of any other place of business;

6.1.5 Corporate Existence. Maintain its corporate existence and its qualification to do business and good standing in all states necessary for the conduct of its business and the ownership of its property and maintain adequate assets, licenses, permits, registrations, governmental approvals, patents, copyrights, trademarks and trade names for the conduct of its business;

6.1.6 Labor Disputes. Promptly notify FINOVA in writing of any material labor dispute to which it is or may become subject and the expiration of any labor contract to which it is a party or bound;

6.1.7 Violations of Law. Promptly notify FINOVA in writing of any violation of any law, statute, regulation or ordinance of any governmental entity, or of any agency thereof, applicable to it which may materially and adversely affect the Collateral or its business, assets, prospects, operations or condition, financial or otherwise;

6.1.8 Defaults. Notify FINOVA in writing within five (5) Business Days of its default under any note, indenture, loan agreement, or mortgage, or under any lease or other agreement material to its business, to which it is a party or by which it is bound, or of any other default under any of its Indebtedness;

6.1.9 Capital Expenditures. Promptly notify FINOVA in writing of the making of any Capital Expenditure materially affecting its business, assets, prospects, operations or condition, financial or otherwise, except to the extent permitted in the Schedule;

6.1.10 Books and Records. Keep adequate records and books of account with respect to its business activities in which proper entries are made in accordance with GAAP, reflecting all of its financial transactions;

6.1.11 Leases; Warehouse Agreements. Provide FINOVA with (i) copies of all agreements between it and any landlord, warehouseman or bailee which owns any premises at which any Collateral may, from time to time, be located (whether for processing, storage or otherwise), and (ii) without limiting the landlord, bailee and/or mortgagee waivers to be provided pursuant to Section 4.1(j) hereof, additional landlord, bailee and/or mortgagee waivers in form acceptable to FINOVA with respect to all locations where any Collateral is hereafter located;

6.1.13 Additional Documents. At FINOVA's request, promptly execute or cause to be executed and delivered to FINOVA any and all documents, instruments or agreements deemed necessary by FINOVA to facilitate the collection of the Obligations or the Collateral or otherwise to give effect to or carry out the terms or intent of this Agreement or any of the other Loan Documents. Without limiting the generality of the foregoing, if any of the Receivables with a face value in excess of \$10,000 arises out of a contract with the United States of America or any department, agency, subdivision or instrumentality thereof, it shall promptly notify FINOVA of such fact in writing and shall execute any instruments and take any other action required or requested by FINOVA to comply with the provisions of the Federal Assignment of Claims Act; and

6.1.14 Financial Covenants. Comply with the financial covenants set forth on the Schedule.

6.1.15 Year 2000. Take all action necessary to assure that there will be no material adverse change to such Borrower's business by reason of the advent of the year 2000, including without limitation that all computer-based systems, embedded microchips and other processing capabilities effectively recognize and process dates after April 1, 1999. At FINOVA's request, each Borrower shall provide to FINOVA assurance reasonably acceptable to FINOVA that such Borrower's computer-based systems, embedded microchips and other processing capabilities are year 2000 compatible.

6.2 Negative Covenants. Without FINOVA's prior written consent, which consent FINOVA may withhold in its sole discretion, so long as any Obligation remains outstanding and this Agreement is in effect, it shall not:

6.2.1 Mergers. Merge or consolidate with or acquire any other Person, or make any other material change in its capital structure or in its business or operations which might adversely affect the repayment of the Obligations;

6.2.2 Loans. Make advances, loans or extensions of credit to, or invest in, any Person, except for loans or cash advances to employees which are permitted in the Schedule;

6.2.3 Dividends. Declare or pay cash dividends upon any of its stock or distribute any of its property or redeem, retire, purchase or acquire directly or indirectly any of its stock;

6.2.4 Adverse Transactions. Enter into any transaction which materially and adversely affects the Collateral or its ability to repay the Obligations in full as and when due;

6.2.5 Indebtedness of Others. Guarantee or become directly or contingently liable for the Indebtedness of any Person, except by endorsement of instruments for deposit and except for the existing guarantees made by it prior to the date hereof, if any, which are set forth in the Schedule;

6.2.6 Repurchase. Make a sale to any customer on a bill-and-hold, guaranteed sale, sale and return, sale on

approval, consignment, or any other repurchase or return basis;

6.2.7 Name. Use any corporate or fictitious name other than its corporate name as set forth in its Articles or Certificate of Incorporation on the date hereof or as set forth on the Schedule;

6.2.8 Prepayment. Prepay any Indebtedness other than trade payables and other than the Obligations;

6.2.9 Capital Expenditure. Make or incur any Capital Expenditure if, after giving effect thereto, the aggregate amount of all Capital Expenditures by all Borrowers in any fiscal year would exceed the amount set forth on the Schedule;

6.2.10 [Intentionally Omitted]

6.2.11 Indebtedness. Create, incur, assume or permit to exist any Indebtedness for Borrowed Money, (including in connection with Capital Leases) in excess of the amount set forth on the Schedule, other than (i) the Obligations, (ii) trade payables and other contractual obligations to suppliers and customers incurred in the ordinary course of business, and (iii) other Indebtedness for Borrowed Money existing on the date of this Agreement and reflected in the Schedule;

6.2.12 Affiliate Transactions. Except as set forth below, sell, transfer, distribute or pay any money or property to any Affiliate, or invest in (by capital contribution or otherwise) or purchase or repurchase any stock or Indebtedness, or any property, of any Affiliate, or become liable on any guaranty of the indebtedness, dividends or other obligations of any Affiliate. Notwithstanding the foregoing, it may pay compensation permitted by Section 6.23 to employees who are Affiliates and, if no Event of Default has occurred, it may engage in transactions with Affiliates in the normal course of business, in amounts and upon terms which are fully disclosed to FINOVA and which are no less favorable to it than would be obtainable in a comparable arm's length transaction with a Person who is not an Affiliate;

6.2.13 Nature of Business. Enter into any new business or make any material change in any of its business objectives, purposes or operations;

6.2.14 FINOVA's Name. Use the name of FINOVA in connection with any of its business or activities, except in connection with internal business matters or as required in dealings with governmental agencies and financial institutions or with its trade creditors, solely for credit reference purposes;

6.2.15 Margin Security. It will not (and has not in the past) engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation G or Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Loan or other advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock, or in any manner which might cause such Loan or other advance or the application of such proceeds to violate (or require any regulatory filing under) Regulation G, Regulation T, Regulation U, Regulation X or any other regulation of the Board of Governors of the Federal Reserve System, in each case as in effect on the date or dates of such Loan or other advance and such use of proceeds. Further, no proceeds of any Loan or other advance will be used to acquire any security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934;

6.2.16 Real Property. Purchase or acquire any real property without FINOVA's prior written consent, a condition of which consent shall include delivery of appropriate environmental reports and analysis, in form and substance satisfactory to FINOVA and its counsel; or

6.2.17 Business Activities of Subsidiaries. Permit any Guarantor to engage in any business activity or own any material assets unless (i) it gives FINOVA at least 30 days prior written notice thereof and (ii) causes such Guarantor to execute and deliver such security agreement and other agreements and instruments as FINOVA may reasonably request to create and perfect in favor of FINOVA a security interest in the assets of such Guarantor of the type constituting Collateral hereunder.

6.2.18 Insurance Structure. Change its insurance structure to any type of non-guaranteed plan without FINOVA's prior written consent.

6.2.19 Reserving for Insurance Losses. Change its current methods and practices of reserving for potential insurance losses without FINOVA's prior written consent.

7. DEFAULT AND REMEDIES.

7.1 Events of Default. Any one or more of the following events shall constitute an Event of Default under this Agreement:

(a) Any Borrower fails to pay when due and payable any portion of the Obligations at stated maturity, upon acceleration or otherwise;

(b) (i) any Borrower or any other Loan Party fails to perform any of the covenants contained in Section 6.1.1, 6.1.2, 6.1.3, 6.1.6, 6.1.7, 6.1.9, 6.1.10, 6.1.11, and 6.1.13 of this Agreement and such failure shall continue for ten (10) days; provided, however, that such ten (10) day period shall not apply in the case of: (A) any failure to observe any such covenant which is not capable of being cured at all or within such ten (10) day period or which has been the subject of a prior failure within a six (6) month period or (B) an intentional breach of a Borrower or any other Loan Party of any such covenant; or (ii) any Borrower or any other Loan Party fails or neglects to perform, keep, or observe any Obligation including, but not limited to, any term, provision, condition, covenant or agreement contained in any Loan Document to which Borrower or such other Loan Party is a party, other than those described in Section 7.1(a) or 7.1(b)(i);

(c) Any material adverse change occurs in any Borrower's business, assets, operations, prospects or condition, financial or otherwise;

(d) The prospect of repayment of any portion of the Obligations or the value or priority of FINOVA's security interest in the Collateral is materially impaired;

(e) Any portion of any Borrower's assets is seized, attached, subjected to a writ or distress warrant, is levied upon or comes into the possession of any judicial officer;

(f) Any Borrower shall generally not pay its debts as they become due or shall enter into any agreement (whether written or oral), or offer to enter into any agreement, with all or a significant number of its creditors regarding any moratorium or other indulgence with respect to its debts or the participation of such creditors or their representatives in the supervision, management or control of its business;

(g) Any bankruptcy or other insolvency proceeding is commenced by any Borrower, or any such proceeding is commenced against any Borrower and remains undischarged or unstayed for forty-five (45) days;

(h) Any notice of lien, levy or assessment is filed of record with respect to any of any Borrower's assets and is not discharged or bonded to FINOVA's satisfaction within five (5) days after the filing thereof and prior to any action to enforce or collect such lien, levy or assessment;

(i) Any judgments are entered against any Borrower in an aggregate amount exceeding \$100,000 in any fiscal year and are not vacated or discharged within 30 days after entry or execution thereon is not effectively stayed;

(j) Any default shall occur under (i) any material agreement between any Borrower and any third party including, without limitation, any default which would result in a right by such third party to accelerate the maturity of any Indebtedness of any Borrower to such third party, or (ii) any Subordinated Debt;

(k) Any representation or warranty made or deemed to be made by any Borrower, any Affiliate or any other Loan Party in any Loan Document or any other statement, document or report made or delivered to FINOVA in connection therewith shall prove to have been misleading in any material respect;

(l) Any Guarantor terminates or attempts to terminate its Guaranty or any security therefor or becomes subject to any bankruptcy or other insolvency proceeding;

(m) Any Prohibited Transaction or Reportable Event shall occur with respect to a Plan which could have a material adverse effect on the financial condition of any Borrower; any lien upon the assets of any Borrower in connection with any Plan shall arise; any Borrower or any of its ERISA Affiliates shall fail to make full payment when due of all amounts which any Borrower or any of its ERISA Affiliates may be required to pay to any Plan or any Multiemployer Plan as one or more contributions thereto; any Borrower or any of its ERISA Affiliates creates or permits the creation of any accumulated funding deficiency, whether or not waived

(n) Borrowers fails to satisfy any undertaking in the Conditions Subsequent Agreement, if any, executed and delivered on the Closing Date;

(o) Donald T. Kelly shall cease to be employed by Borrowers, and his successor, within thirty (30) days after being employed by Borrowers, shall not have entered into a Support Agreement substantially identical to the Support Agreement executed by Donald T. Kelly on the Closing Date; or

(p) Any Change of Control occurs; or any transfer occurs of any

percentage of shares of common stock or other evidence of ownership of any Borrower other than DSI.

NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, FINOVA RESERVES THE RIGHT TO CEASE MAKING ANY LOANS DURING ANY CURE PERIOD STATED ABOVE, AND THEREAFTER IF AN EVENT OF DEFAULT HAS OCCURRED.

7.2 Remedies. Upon the occurrence of an Event of Default, FINOVA may, at its option and in its sole discretion and in addition to all of its other rights under the Loan Documents, cease making Loans, terminate this Agreement and/or declare all of the Obligations to be immediately payable in full. Each Borrower agrees that

FINOVA shall also have all of its rights and remedies under applicable law, including, without limitation, the default rights and remedies of a secured party under the Code, and upon the occurrence of an Event of Default each Borrower hereby consents to the appointment of a receiver by FINOVA in any action initiated by FINOVA pursuant to this Agreement and to the jurisdiction and venue set forth in Section 9.25 hereof, and each Borrower waives notice and posting of a bond in connection therewith. Further, FINOVA may, at any time, take possession of the Collateral and keep it on each Borrower's premises, at no cost to FINOVA, or remove any part of it to such other place(s) as FINOVA may desire, or each Borrower shall, upon FINOVA's demand, at Borrowers' sole cost, assemble the Collateral and make it available to FINOVA at a place reasonably convenient to FINOVA. FINOVA may sell and deliver any Collateral at public or private sales, for cash, upon credit or otherwise, at such prices and upon such terms as FINOVA deems advisable, at FINOVA's discretion, and may, if FINOVA deems it reasonable, postpone or adjourn any sale of the Collateral by an announcement at the time and place of sale or of such postponed or adjourned sale without giving a new notice of sale. Each Borrower agrees that FINOVA has no obligation to preserve rights to the Collateral or marshal any Collateral for the benefit of any Person. FINOVA is hereby granted a license or other right to use, without charge, each Borrower's labels, patents, copyrights, name, trade secrets, trade names, trademarks and advertising matter, or any similar property, in completing production, advertising or selling any Collateral and each Borrower's rights under all licenses and all franchise agreements shall inure to FINOVA's benefit. Any requirement of reasonable notice shall be met if such notice is mailed postage prepaid to DSI at its address set forth in the heading to this Agreement at least ten (10) days before sale or other disposition. The proceeds of sale shall be applied, first, to all attorneys fees and other expenses of sale, and second, to the Obligations in such order as FINOVA shall elect, in its sole discretion. FINOVA shall return any excess to the applicable Borrower and each Borrower shall remain jointly and severally liable for any deficiency to the fullest extent permitted by law.

7.3 Standards for Determining Commercial Reasonableness. Each Borrower and FINOVA agree that the following conduct by FINOVA with respect to any disposition of Collateral shall conclusively be deemed commercially reasonable (but other conduct by FINOVA, including, but not limited to, FINOVA's use in its sole discretion of other or different times, places and manners of noticing and conducting any disposition of Collateral shall not be deemed unreasonable): Any public or private disposition: (i) as to which on no later than the tenth calendar day prior thereto written notice thereof is mailed or personally delivered to DSI and, with respect to any public disposition, on no later than the tenth calendar day prior thereto notice thereof describing in general non-specific terms, the Collateral to be disposed of is published once in a newspaper of general circulation in the county where the sale is to be conducted (provided that no notice of any public or private disposition need be given to any Borrower or published if the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market); (ii) which is conducted at any place designated by FINOVA, with or without the Collateral being present; and (iii) which commences at any time between 8:00 a.m. and 5:00 p.m. Without limiting the generality of the foregoing, each Borrower expressly agrees that, with respect to any disposition of accounts, instruments and general intangibles, it shall be commercially reasonable for FINOVA to direct any prospective purchaser thereof to ascertain directly from the applicable Borrower any and all information concerning the same, including, but not limited to, the terms of payment, aging and delinquency, if any, the financial condition of any obligor or account debtor thereon or guarantor thereof, and any collateral therefor.

## 8. EXPENSES AND INDEMNITIES

8.1 Expenses. Each Borrower covenants that, so long as any Obligation remains outstanding and this Agreement remains in effect, it shall promptly reimburse FINOVA jointly and severally for all costs, fees and expenses incurred by FINOVA in connection with the negotiation, preparation, execution, delivery, administration and enforcement of each of the Loan Documents, including, but not limited to, the reasonable attorneys' and paralegals' fees of in-house and outside counsel, expert witness fees, lien, title search and insurance fees, appraisal fees, all charges and expenses incurred in connection with any and all environmental reports and environmental remediation activities, and all other costs, expenses, taxes and filing or recording fees payable in connection with the transactions contemplated by this Agreement, including without limitation all such costs, fees and expenses as FINOVA shall incur or for which FINOVA shall become obligated in connection with (i) any inspection or verification of the Collateral, (ii) any proceeding relating to the Loan Documents or the Collateral, (iii) actions taken with respect to the Collateral and FINOVA's security interest therein, including, without limitation, the defense or prosecution of any action involving FINOVA and any Borrower or any third party, (iv) enforcement of any of FINOVA's rights and remedies with respect to the Obligations or Collateral and (v) consultation with FINOVA's attorneys and

participation in any workout, bankruptcy or other insolvency or other proceeding involving any Loan Party or any Affiliate, whether or not suit is filed or the issues are peculiar to federal bankruptcy or state insolvency laws. Each Borrower shall also jointly and severally pay all FINOVA charges in connection with bank wire transfers, forwarding of loan proceeds, deposits of checks and other items of payment, returned checks, establishment and maintenance of lockboxes and other Blocked Accounts,

and all other bank and administrative matters, in accordance with FINOVA's schedule of bank and administrative fees and charges in effect from time to time.

8.2 Environmental Matters. The Environmental Certificate dated on or about the date of this Agreement is incorporated herein for all purposes as if fully stated in this Agreement.

## 9. MISCELLANEOUS.

### 9.1 Examination of Records; Financial Reporting.

(a) Examinations. FINOVA shall at all reasonable times have full access to and the right to examine, audit, make abstracts and copies from and inspect each Borrower's records, files, books of account and all other documents, instruments and agreements relating to the Collateral and the right to check, test and appraise the Collateral. Each Borrower shall deliver to FINOVA any instrument necessary for FINOVA to obtain records from any service bureau maintaining records for any Borrower. All instruments and certificates prepared by any Borrower showing the value of any of the Collateral shall be accompanied, upon FINOVA's request, by copies of related purchase orders and invoices. FINOVA may, at any time after the occurrence of an Event of Default, remove from each Borrower's premises such Borrower's books and records (or copies thereof) or require such Borrower to deliver such books and records or copies to FINOVA. FINOVA may, without expense to FINOVA, use such of each Borrower's personnel, supplies and premises as may be reasonably necessary for maintaining or enforcing FINOVA's security interest.

(b) Reporting Requirements. Each Borrower shall furnish FINOVA, upon request, such information and statements as FINOVA shall reasonably request from time to time regarding such Borrower's business affairs, financial condition and the results of its operations. Without limiting the generality of the foregoing, DSI on behalf of all Borrowers shall provide FINOVA with: (i) FINOVA's standard form collateral and loan report for all Borrowers, weekly, and upon FINOVA's request, copies of sales journals, cash receipt journals, and deposit slips; (ii) upon FINOVA's request, copies of sales invoices, customer statements and credit memoranda issued, remittance advices and reports; (iii) copies of shipping and delivery documents, upon request; (iv) on or prior to the date set forth on the Schedule, monthly agings (aged from invoice date) and reconciliations of all Borrowers' Receivables (with listings of concentrated accounts), payables reports, compliance certificates and unaudited financial statements with respect to the prior month prepared on a basis consistent with such statements prepared in prior months and otherwise in accordance with GAAP; (v) on or prior to the date set forth in the Schedule, audited annual consolidated financial statements of DSI and its subsidiaries, prepared in accordance with GAAP applied on a basis consistent with the most recent Prepared Financials provided to FINOVA by Borrowers, including balance sheets, income and cash flow statements, accompanied by the unqualified report thereon of independent certified public accountants acceptable to FINOVA; and (vi) such certificates relating to the foregoing as FINOVA may request, including, without limitation, a monthly certificate from the president and the chief financial officer of DSI in the form of EXHIBIT B hereto, showing Borrowers' compliance with each of the financial covenants set forth in this Agreement, and stating whether any Event of Default has occurred or event which, with giving of notice or the passage of time, or both, would constitute an Event of Default, and if so, the steps being taken to prevent or cure such Event of Default. All reports or financial statements submitted by Borrowers shall be in reasonable detail and shall be certified by the principal financial officer of DSI or the applicable Borrower as being complete and correct.

### 9.2 Term; Termination.

(a) Term. The Initial Term of the Revolving Credit Loans facility and the obligation of FINOVA to made advances with respect thereto in accordance with this Agreement shall be as set forth on the Schedule, and the Revolving Credit Loans facility and this Agreement shall be renewed for one or more Renewal Term(s) as set forth in the Schedule, unless earlier terminated as provided herein.

(b) Prior Notice. Each party shall have the right to terminate this Agreement effective at the end of the Initial Term or at the end of any Renewal Term by giving the other party written notice not less than sixty (60) days prior to the effective date of such termination, by registered or certified mail.

(c) Payment in Full. Upon the effective date of termination, the Obligations shall become immediately due and payable in full in cash.

(d) Early Termination; Termination Fee. In addition to the procedure

set forth in Section 9.2(b), Borrowers may terminate this Agreement as to all of the Borrowers (and not less than all of the Borrowers) at any time but only upon thirty (30) days' prior written notice and prepayment of the Obligations (including, without limitation, the Term Loans). Upon any such early termination by Borrowers or any termination of this Agreement by FINOVA upon the occurrence of an Event of Default, then, and in any such event, Borrowers shall jointly and severally pay to FINOVA upon the effective date of such termination the Success Fee and a fee (the "TERMINATION FEE") in an amount equal to the amount shown on the Schedule.

9.3 Recourse to Security; Certain Waivers. All Obligations shall be payable by Borrowers as provided for

herein and, in full, at the termination of this Agreement; recourse to security shall not be required at any time. Each Borrower waives presentment and protest of any instrument and notice thereof, notice of default and, to the extent permitted by applicable law, all other notices to which any Borrower might otherwise be entitled.

9.4 No Waiver by FINOVA. Neither FINOVA's failure to exercise any right, remedy or option under this Agreement, any supplement, the Loan Documents or other agreement between FINOVA and any Borrower nor any delay by FINOVA in exercising the same shall operate as a waiver. No waiver by FINOVA shall be effective unless in writing and then only to the extent stated. No waiver by FINOVA shall affect its right to require strict performance of this Agreement. FINOVA's rights and remedies shall be cumulative and not exclusive.

9.5 Binding on Successor and Assigns. All terms, conditions, promises, covenants, provisions and warranties shall inure to the benefit of and bind FINOVA's and each Borrower's respective representatives, successors and assigns.

9.6 Severability. If any provision of this Agreement shall be prohibited or invalid under applicable law, it shall be ineffective only to such extent, without invalidating the remainder of this Agreement.

9.7 Amendments; Assignments. This Agreement may not be modified, altered or amended, except by an agreement in writing signed by each Borrower and FINOVA. No Borrower may sell, assign or transfer any interest in this Agreement or any other Loan Document, or any portion thereof, including, without limitation, any of a Borrower's rights, title, interests, remedies, powers and duties hereunder or thereunder. Each Borrower hereby consents to FINOVA's participation, sale, assignment, transfer or other disposition, at any time or times hereafter, of this Agreement and any of the other Loan Documents, or of any portion hereof or thereof, including, without limitation, FINOVA's rights, title, interests, remedies, powers and duties hereunder or thereunder. In connection therewith, FINOVA may disclose all documents and information which FINOVA now or hereafter may have relating to any Borrower or any Borrower's business. To the extent that FINOVA assigns its rights and obligations hereunder to a third party, FINOVA shall thereafter be released from such assigned obligations to Borrowers and such assignment shall effect a novation between Borrowers and such third party.

9.8 Integration. This Agreement, together with the Schedule (which is a part hereof) and the other Loan Documents, reflect the entire understanding of the parties with respect to the transactions contemplated hereby.

9.9 Survival. All of the representations and warranties of each Borrower contained in this Agreement shall survive the execution, delivery and acceptance of this Agreement by the parties. No termination of this Agreement or of any guaranty of the Obligations shall affect or impair the powers, obligations, duties, rights, representations, warranties or liabilities of the parties hereto and all shall survive such termination.

9.10 Evidence of Obligations. Each Obligation may, in FINOVA's discretion, be evidenced by notes or other instruments issued or made by one or more Borrowers to FINOVA. If not so evidenced, such Obligation shall be evidenced solely by entries upon FINOVA's books and records.

9.11 Loan Requests. Each oral or written request for a Loan by any Person who purports to be any employee, officer or authorized agent of DSI shall be made to FINOVA on or prior to 11:00 a.m., Eastern time on the Business Day on which the proceeds thereof are requested to be paid to any Borrower and shall be conclusively presumed to be made by a Person authorized by each Borrower to do so and the crediting of a loan to a Borrower's operating account shall conclusively establish each Borrower's obligation to repay such loan. Unless and until DSI otherwise directs FINOVA in writing, all loans shall be wired to the applicable Borrower's operating account set forth on the Schedule.

9.12 Notices. Any notice required hereunder shall be in writing and addressed to the applicable Borrower and FINOVA at their addresses set forth at the beginning of this Agreement. A copy of any notice to a Borrower shall be sent to Goldstein & DiGioia LLP, 369 Lexington Avenue, New York, New York 10017, Attn: Victor J. DiGioia. Notices hereunder shall be deemed received on the earlier of receipt, whether by mail, personal delivery, facsimile, or otherwise, or upon deposit in the United States mail, postage prepaid.

9.13 Brokerage Fees. Each Borrower represents and warrants to FINOVA that, with respect to the financing transaction herein contemplated, no Person, other than EJ Advisors, is entitled to any brokerage fee or other commission, and Borrower agrees to indemnify and hold FINOVA harmless against any and all such claims.

9.14 Disclosure. No representation or warranty made a Borrower in this Agreement, or in any financial statement, report, certificate or any other document furnished in connection herewith contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein or therein not misleading. There is no fact known to any Borrower or which reasonably should be known to any Borrower which Borrowers has not disclosed to FINOVA in writing with respect to the transactions contemplated by this Agreement which materially and

adversely affects the business, assets, operations, prospects or condition (financial or otherwise), of any Borrower.

9.15 Publicity. FINOVA is hereby authorized to issue appropriate press releases and to cause a tombstone to be published announcing the consummation of this transaction and the aggregate amount thereof.

9.16 Captions. The Section titles contained in this Agreement are without substantive meaning and are not part of this Agreement.

9.17 Injunctive Relief. Each Borrower recognizes that, in the event a Borrower fails to perform, observe or discharge any of its Obligations under this Agreement, any remedy at law may prove to be inadequate relief to FINOVA. Therefore, FINOVA, if it so requests, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

9.18 Counterparts; Facsimile Execution. This Agreement may be executed in one or more counterparts, each of which taken together shall constitute one and the same instrument, admissible into evidence. Delivery of an executed counterpart of this Agreement by telefacsimile shall be equally as effective as delivery of a manually executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile shall also deliver a manually executed counterpart of this Agreement, but the failure to deliver a manually executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement.

9.19 Construction. The parties acknowledge that each party and its counsel have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.

9.20 Time of Essence. Time is of the essence for the performance by each Borrower of the Obligations set forth in this Agreement.

9.21 Limitation of Actions. Each Borrower agrees that any claim or cause of action by such Borrower against FINOVA, or any of FINOVA's directors, officers, employees, agents, accountants or attorneys, based upon, arising from, or relating to this Agreement, or any other present or future agreement, or any other transaction contemplated hereby or thereby or relating hereto or thereto, or any other matter, cause or thing whatsoever, whether or not relating hereto or thereto, occurred, done, omitted or suffered to be done by FINOVA, or by FINOVA's directors, officers, employees, agents, accountants or attorneys, whether sounding in contract or in tort or otherwise, shall be barred unless asserted by such Borrower by the commencement of an action or proceeding in a court of competent jurisdiction by the filing of a complaint within one year after any Borrower has knowledge, or with the exercise of reasonable diligence should have had knowledge, of the first act, occurrence or omission upon which such claim or cause of action, or any part thereof, is based and service of a summons and complaint on an officer of FINOVA or any other Person authorized to accept service of process on behalf of FINOVA, within 30 days thereafter. Each Borrower agrees that such one-year period of time is a reasonable and sufficient time for Borrowers to investigate and act upon any such claim or cause of action. The one-year period provided herein shall not be waived, tolled, or extended except by a specific written agreement of FINOVA. This provision shall survive any termination of this Loan Agreement or any other agreement.

9.22 Liability. Neither FINOVA nor any FINOVA Affiliate shall be liable for any indirect, special, incidental or consequential damages in connection with any breach of contract, tort or other wrong relating to this Agreement or the Obligations or the establishment, administration or collection thereof (including without limitation damages for loss of profits, business interruption, or the like), whether such damages are foreseeable or unforeseeable, even if FINOVA has been advised of the possibility of such damages. Neither FINOVA, nor any FINOVA Affiliate shall be liable for any claims, demands, losses or damages, of any kind whatsoever, made, claimed, incurred or suffered by a Borrower through the ordinary negligence of FINOVA, or any FINOVA Affiliate. "FINOVA AFFILIATE" shall mean FINOVA's directors, officers, employees, agents, attorneys or any other Person or entity affiliated with or representing FINOVA.

9.23 Notice of Breach by FINOVA. Each Borrower agrees to give FINOVA written notice of (i) any action or inaction by FINOVA or any attorney of FINOVA in connection with any Loan Documents that may be actionable against FINOVA or any attorney of FINOVA or (ii) any defense to the payment of the Obligations for any reason, including, but not limited to, commission of a tort or violation of any contractual duty or duty implied by law. Each Borrower agrees that unless such notice is fully given as promptly as possible (and in any event within

thirty (30) days) after any Borrower has knowledge, or with the exercise of reasonable diligence should have had knowledge, of any such action, inaction or defense, no Borrower shall assert, and each Borrower shall be deemed to have waived, any claim or defense arising therefrom.

9.24 Application of Insurance Proceeds. The net proceeds of any casualty insurance insuring the Collateral, after deducting all costs and expenses (including attorneys' fees) of collection, shall be applied, at FINOVA's option, either toward replacing or restoring the Collateral, in a manner and on terms satisfactory to FINOVA, or toward payment of

the Obligations. Any proceeds applied to the payment of Obligations shall be applied in such manner as FINOVA may elect. In no event shall such application relieve any Borrower from payment in full of all installments of principal and interest which thereafter become due in the order of maturity thereof.

9.25 Power of Attorney. Each Borrower appoints FINOVA and its designees as such Borrower's attorney, with the power to endorse such Borrower's name on any checks, notes, acceptances, money orders or other forms of payment or security that come into FINOVA's possession; to sign such Borrower's name on any invoice or bill of lading relating to any Receivable, on drafts against customers, on assignments of Receivables, on notices of assignment, financing statements and other public records, on verifications of accounts and on notices to customers or account debtors; to send requests for verification of Receivables to customers or account debtors; after the occurrence of any Event of Default, to notify the post office authorities to change the address for delivery of such Borrower's mail to an address designated by FINOVA and to open and dispose of all mail addressed to such Borrower; and to do all other things FINOVA deems necessary or desirable to carry out the terms of this Agreement. Each Borrower hereby ratifies and approves all acts of such attorney. Neither FINOVA nor any of its designees shall be liable for any acts or omissions nor for any error of judgment or mistake of fact or law while acting as such Borrower's attorney. This power, being coupled with an interest, is irrevocable until the Obligations have been fully satisfied and FINOVA's obligation to provide loans hereunder shall have terminated.

9.26 GOVERNING LAW; WAIVERS. THIS AGREEMENT, INCLUDING WITHOUT LIMITATION ENFORCEMENT OF THE OBLIGATIONS, SHALL BE INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE CONFLICT OF LAWS RULES) OF THE STATE OF ARIZONA GOVERNING CONTRACTS TO BE PERFORMED ENTIRELY WITHIN SUCH STATE. EACH BORROWER HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF MARICOPA IN THE STATE OF ARIZONA OR, AT THE SOLE OPTION OF FINOVA, IN ANY OTHER COURT IN WHICH FINOVA SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH BORROWER WAIVES ANY OBJECTION OF FORUM NON CONVENIENS AND VENUE. EACH BORROWER FURTHER WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT, AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE IN THE MANNER SET FORTH IN SECTION 9.12 HEREOF FOR THE GIVING OF NOTICE. EACH BORROWER FURTHER WAIVES ANY RIGHT IT MAY OTHERWISE HAVE TO COLLATERALLY ATTACK ANY JUDGMENT ENTERED AGAINST IT.

9.27 MUTUAL WAIVER OF RIGHT TO JURY TRIAL. FINOVA AND EACH BORROWER HEREBY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO: (I) THIS AGREEMENT; (II) ANY OTHER PRESENT OR FUTURE INSTRUMENT OR AGREEMENT BETWEEN FINOVA AND ANY BORROWER; OR (III) ANY CONDUCT, ACTS OR OMISSIONS OF FINOVA OR ANY BORROWER OR ANY OF THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS OR ANY OTHER PERSONS AFFILIATED WITH FINOVA OR ANY BORROWER; IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE.

9.28 Nonpublic Information. FINOVA agrees that if, in the course of the transactions contemplated by this Agreement, it comes into possession of any material non-public information regarding DSI and its subsidiaries, it will use all reasonable efforts to maintain the confidentiality of such information and will not disclose any of such information to any person except to its employees, advisors, and agents as necessary or advisable in connection with the negotiation, administration, and enforcement of the Loan Documents. The foregoing undertaking will not apply to any such information after such time as it becomes generally available to the public.

[SIGNATURES FOLLOW]

BORROWERS:

DIGITAL SOLUTIONS, INC., a New Jersey corporation  
Fed. Tax ID #: 22-1899798

By: \_\_\_\_\_  
Name:  
Title:

DSI CONTRACT STAFFING, INC., a New York corporation  
Fed. Tax ID #: 13-2878077

By: \_\_\_\_\_  
Name:  
Title:

DSI STAFF CONNXIONS NORTHEAST, INC., a New Jersey corporation  
Fed. Tax ID #: 22-3405060

By: \_\_\_\_\_  
Name:  
Title:

DSI STAFF RX, INC., a Texas corporation  
Fed. Tax ID #: 76-0451040

By: \_\_\_\_\_  
Name:  
Title:

DSI STAFF CONNXIONS-SOUTHWEST, INC., a Texas corporation  
Fed. Tax ID #: 76-0422152

By: \_\_\_\_\_  
Name:  
Title:

[AMENDED AND RESTATED LOAN AGREEMENT]

THE TEAMSTAFF COMPANIES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988438

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF, INC., a Florida corporation  
Fed. Tax ID #: 59-3067619

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF II, INC., a Florida corporation  
Fed. Tax ID #: 59-3277121

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF III, INC., a Florida corporation  
Fed. Tax ID #: 59-3277124

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF IV, INC., a Florida corporation  
Fed. Tax ID #: 59-3277126

By: \_\_\_\_\_  
Name:  
Title:

[AMENDED AND RESTATED LOAN AGREEMENT]

TEAMSTAFF V, INC., a Florida corporation  
Fed. Tax ID #: 59-3277127

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF U.S.A., INC., a Florida corporation  
Fed. Tax ID #: 59-2988440

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF INSURANCE SERVICES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988436

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF HOLDING COMPANY, INC., a Florida corporation  
Fed. Tax ID #: 59-3236075

By: \_\_\_\_\_  
Name:  
Title:

EMPLOYER SUPPORT SERVICES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988443

By: \_\_\_\_\_  
Name:  
Title:

[AMENDED AND RESTATED LOAN AGREEMENT]

LENDER:

FINOVA CAPITAL CORPORATION

By: \_\_\_\_\_

Name: Ilene Gerber  
Title: Vice President

[AMENDED AND RESTATED LOAN AGREEMENT]

## AMENDED AND RESTATED SECURED PROMISSORY NOTE A

\$2,166,664.00

Phoenix, Arizona  
January 25, 1999

FOR VALUE RECEIVED, DIGITAL SOLUTIONS, INC., a New Jersey Corporation, DSI CONTRACT STAFFING, INC., a New York corporation, DSI STAFF CONNXIONS NORTHEAST, INC., a New Jersey corporation, DSI STAFF CONNXIONS-SOUTHWEST, INC., a Texas corporation, DSI STAFF RX, INC., a Texas corporation, THE TEAMSTAFF COMPANIES, INC., a Florida corporation, TEAMSTAFF, INC., a Florida corporation, TEAMSTAFF II, Inc., a Florida corporation, TEAMSTAFF III, Inc., a Florida corporation, TEAMSTAFF IV, Inc., a Florida corporation, TEAMSTAFF V, Inc., a Florida corporation, TEAMSTAFF U.S.A., Inc., a Florida corporation, TEAMSTAFF INSURANCE SERVICES, INC., a Florida corporation, TEAMSTAFF HOLDING COMPANY, INC., a Florida corporation, and EMPLOYER SUPPORT SERVICES, INC., a Florida corporation (collectively, "Borrower"), jointly and severally promise to pay to the order of FINOVA CAPITAL CORPORATION, a Delaware corporation ("FINOVA"), at its offices at 355 South Grand Avenue, Suite 2400, Los Angeles, California 90071, or at such other place or places as FINOVA may from time to time designate in writing, the principal sum of TWO MILLION ONE HUNDRED SIXTY-SIX THOUSAND SIX HUNDRED SIXTY-FOUR Dollars (\$2,166,664.00), plus interest in the manner and upon the terms and conditions set forth below. This Amended and Restated Secured Promissory Note A ("Note") is made pursuant to that certain Amended and Restated Loan and Security Agreement of even date herewith between FINOVA and Borrower (the "Loan Agreement"), the provisions of which are incorporated herein by this reference. Capitalized terms herein, unless otherwise noted, shall have the meaning set forth in the Loan Agreement. This Note represents the outstanding principal balance of the Secured Promissory Note dated April 28, 1998 in the original amount of \$2,500,000 and is being entered into to restate certain terms thereof not as evidence of new indebtedness.

## 1.0 SCHEDULE OF PAYMENTS; RATE AND PAYMENT OF INTEREST; PREPAYMENT.

1.1 The principal balance of this Note shall be payable as follows:

a. Twenty-seven (27) equal successive monthly installments of principal of Forty-One Thousand Six Hundred Sixty-Seven Dollars (\$41,667.00) each on the first day of each month, beginning February 1, 1999, and continuing through and including April 1, 2001; and

b. A final installment equal to the then unpaid principal balance hereof on the last Business Day of April, 2001.

1.2 Prepayment may be made under this Note in whole or in part, subject to, in the case of prepayment in whole, the Termination Fee and Success Fee set forth in the Loan Agreement, provided that such prepayment is preceded by not less than five (5) business days prior written notice to FINOVA and accompanied by all accrued but unpaid interest and the full amount of the applicable Termination Fee, if any, and Success Fee. Notwithstanding anything

herein to the contrary, in the event the Loan Agreement is terminated by Borrower, by FINOVA or by any other person at any time in accordance with its terms, or the Revolving Credit Loans facility is otherwise terminated for any reason, then the entire unpaid principal balance of this Note, together with all accrued and unpaid interest hereon and the full amount of the applicable Termination Fee and Success Fee, shall become immediately due and payable in full on the effective date of such termination, without presentment, notice or demand of any kind.

1.3 Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed, and shall be at the rate of three (3%) percentage points above the Prime Rate (as hereinafter defined), computed on the basis of a 360-day year; provided, however, upon the occurrence and during the continuance of an Event of Default, interest shall accrue on the outstanding principal balance of this Note at a default rate (the "Default Rate") of five (5%) percentage points above the Prime Rate, and shall be payable on demand. "Prime Rate" means, for any day, the rate of interest per annum (over a year of 360 days) announced by Citibank, N.A. (the "Bank"), from time to time, as its "base rate" (or any successor thereto) in effect on such day. The Prime Rate is not necessarily the lowest rate charged by the Bank. As of the date of this Note, the Prime Rate is seven and three-quarters percent (7.75%) per annum. The applicable rate of interest assessed hereunder will be increased or decreased from time to time hereafter in an amount equal to any increase or decrease hereafter made by the Bank in the Prime Rate. A change in the Prime Rate shall be effective on the first day following such change. Accrued interest shall be payable monthly in arrears on the first day of each month, commencing February 1, 1999, and upon the final payment in full of the principal balance hereof.

2.0 EVENTS OF DEFAULTS; REMEDIES.

2.1 Upon the occurrence of any Event of Default under and as defined in the Loan Agreement, in addition to FINOVA's right to charge interest on the Obligations at the Default Rate: (a) at the option of FINOVA, the entire unpaid amount of this Note and all of the other Obligations, including without limitation the Termination Fee, shall become immediately due and payable without demand, notice or legal process of any kind; (b) FINOVA may, at its option, without demand, notice or legal process of any kind, exercise any and all rights and remedies granted to it by the Loan Agreement or by any other agreement now or hereafter existing between FINOVA and Borrower or between FINOVA and any guarantor of part or all of Borrower's liabilities to FINOVA; and (c) FINOVA may at its option exercise from time to time any other rights and remedies available to it under the Uniform Commercial Code or other law of the State of Arizona.

2.2 The remedies of FINOVA as provided herein and in the Loan Agreement shall be cumulative and concurrent, and may be pursued singularly, successively, or together, at the sole discretion of FINOVA. No act of omission or commission of FINOVA, including specifically any failure to exercise any right, remedy or recourse, shall be deemed to be a waiver or release of the same, such waiver or release to be effected only through a written document executed by FINOVA and then only to the extent specifically recited therein. A waiver or release with reference to any one event shall not be construed as continuing, as a bar to, or as a waiver or release of, any subsequent right, remedy or recourse as to a subsequent event.

## 3.0 GENERAL PROVISIONS.

3.1 Borrower warrants and represents to FINOVA that Borrower has used and will continue to use the loans and advances represented by this Note solely for proper business purposes, and consistent with all applicable laws and statutes.

3.2 This Note is secured by the Collateral described in the Loan Agreement.

3.3 Borrower waives presentment, demand and protest, notice of protest, notice of presentment and all other notices and demands in connection with the enforcement of FINOVA's rights hereunder, except as specifically provided and called for by this Note, and hereby consents to, and waives notice of, the release, addition, or substitution, with or without consideration, of any collateral or of any person liable for payment of this Note. Any failure of FINOVA to exercise any right available hereunder or otherwise shall not be construed as a waiver of the right to exercise the same or as a waiver of any other right at any other time.

3.4 If this Note is not paid when due or upon the occurrence of an Event of Default, Borrower further promises to pay all costs of collection, foreclosure fees, reasonable attorneys fees and expert witness fees incurred by FINOVA, whether or not suit is filed hereon, and the fees, costs and expenses as provided in the Loan Agreement.

3.5 The contracted for rate of interest of the loan contemplated hereby, without limitation, shall consist of the following: (i) the interest rate set forth on the Schedule, calculated and applied to the principal balance of this Note in accordance with the provisions of this Note; (ii) interest after an Event of Default, calculated and applied to the amounts due under this Note in accordance with the provisions hereof; and (iii) all Additional Sums (as herein defined), if any. Borrower agrees to pay an effective contracted for rate of interest which is the sum of the above-referenced elements. All examination fees, attorneys fees, expert witness fees, letter of credit fees, collateral monitoring fees, closing fees, facility fees, Termination Fees, Minimum Interest Charges, other charges, goods, things in action or any other sums or things of value paid or payable by Borrower (collectively, the "Additional Sums"), whether pursuant to this Note, the Loan Agreement or any other documents or instruments in any way pertaining to this lending transaction, or otherwise with respect to this lending transaction, that under any applicable law may be deemed to be interest with respect to this lending transaction, for the purpose of any applicable law that may limit the maximum amount of interest to be charged with respect to this lending transaction, shall be payable by Borrower as, and shall be deemed to be, additional interest and for such purposes only, the agreed upon and "contracted for rate of interest" of this lending transaction shall be deemed to be increased by the rate of interest resulting from the inclusion of the Additional Sums.

3.6 It is the intent of the parties to comply with the usury law of the State of Arizona (the "Applicable Usury Law"). Accordingly, it is agreed that notwithstanding any provisions to the contrary in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, in no event shall this Note or such documents require the payment or permit the collection of interest in excess of the maximum Interest Rate, then in any such event (1) the provisions of the paragraph shall govern and control, (2) neither Borrower nor any other

person or entity now or hereafter liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the Maximum Interest Rate, (3) any such excess which may have been collected shall be either applied as a credit against the then unpaid principal amount hereof or refunded to Borrower, at FINOVA's option, and (4) the effective rate of interest shall be automatically reduced to the Maximum Interest Rate. It is further agreed, without limiting the generality of the foregoing, that to the extent permitted by the Applicable Usury Law; (x) all calculations of interest which are made for the purpose of determining whether such rate would exceed the Maximum Interest Rate shall be made by amortizing, prorating, allocating and spreading during the period of the full stated term of the loan evidenced hereby, all interest at any time contracted for, charged or received from Borrower or otherwise in connection with such loan; and (y) in the event that the effective rate of interest on the loan should at any time exceed the Maximum Interest Rate, such excess interest that would otherwise have been collected had there been no ceiling imposed by the Applicable Usury Law shall be paid to FINOVA from time to time, if and when the effective interest rate on the loan otherwise fall below the Maximum Interest Rate, until the entire amount of interest which would otherwise have been collected had there been no ceiling imposed by the Applicable Usury Law has been paid in full. Borrower further agrees that should the Maximum Interest Rate be increased at any time hereafter because of a change in the Applicable Usury Law, then to the extent not prohibited by the Applicable Usury Law, such increases shall apply to all indebtedness evidenced hereby regardless of when incurred; but, again to the extent not prohibited by the Applicable Usury Law, should the maximum Interest Rate be decreased because of a change in the Applicable Usury Law, such decreases shall not apply to the indebtedness evidenced hereby regardless of when incurred.

3.7 FINOVA may at any time transfer this Note and FINOVA's rights in any or all collateral securing this Note, and FINOVA thereafter shall be relieved from all liability with respect to such collateral arising after the date of such transfer.

3.8 This Note shall be binding upon Borrower and its legal representatives, successors and assigns. Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Note shall be prohibited by or invalid under such law, such provision shall be severable, and be ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provision of this Note.

3.9 This Note evidences a term loan made by FINOVA to Borrower (the "Existing Term Loan") as part of the financing being provided by FINOVA to Borrower pursuant to the Original Agreement. This Note does not evidence a new extension of credit, and this Note does not constitute and shall not be construed as a novation of the Existing Term Loan.

THIS NOTE HAS BEEN DELIVERED FOR ACCEPTANCE BY FINOVA IN PHOENIX, ARIZONA AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO THE CONFLICTS OF LAW PROVISIONS) OF THE STATE OF ARIZONA, AS THE SAME MAY FROM TIME TO TIME BE IN EFFECT, INCLUDING, WITHOUT LIMITATION, THE UNIFORM COMMERCIAL CODE AS ADOPTED IN ARIZONA. BORROWER HEREBY  
(i)

IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN MARICOPA COUNTY, ARIZONA OVER ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY MATTER ARISING FROM OR RELATED TO THIS NOTE; (ii) WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON BORROWER, AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY MESSENGER, CERTIFIED MAIL OR REGISTERED MAIL DIRECTED TO BORROWER AT THE ADDRESS SET FORTH BELOW AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT OR THREE (3) DAYS AFTER THE SAME SHALL HAVE BEEN POSTED TO BORROWER'S ADDRESS; (iii) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT BORROWER MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING; (iv) AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW; (v) AGREES NOT TO INSTITUTE ANY LEGAL ACTION OR PROCEEDING AGAINST FINOVA OR ANY OF FINOVA'S DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR PROPERTY, CONCERNING ANY MATTER ARISING OUT OF OR RELATING TO THIS NOTE IN ANY COURT OTHER THAN ONE LOCATED IN MARICOPA COUNTY, ARIZONA; AND (vi) IRREVOCABLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION ARISING UNDER OR IN CONNECTION WITH THIS NOTE. NOTHING IN THIS PARAGRAPH SHALL AFFECT OR IMPAIR FINOVA'S RIGHT TO SERVE LEGAL PROCESS IN ANY MANNER PERMITTED BY LAW OR FINOVA'S RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR BORROWER'S PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

[This Space Intentionally Left Blank]

DIGITAL SOLUTIONS, INC., a New Jersey corporation  
Fed. Tax ID #: 22-1899798

By: \_\_\_\_\_

Name:

Title:

Address: 300 Atrium Drive, Somerset, New Jersey 08773

DSI CONTRACT STAFFING, INC., a New York corporation  
Fed. Tax ID #: 13-2878077

By: \_\_\_\_\_

Name:

Title:

Address: 245 Fifth Avenue, Suite 1003, New York, New York 10016

DSI STAFF CONNXIONS NORTHEAST, INC., a New Jersey corporation  
Fed. Tax ID #: 22-3405060

By: \_\_\_\_\_

Name:

Title:

Address: 300 Atrium Drive, Somerset, New Jersey 08773

DSI STAFF Rx, INC., a Texas corporation  
Fed. Tax ID #: 76-0451040

By: \_\_\_\_\_

Name:

Title:

Address: 2 Northpoint Drive, Suite 110, Houston, Texas 77060

DSI STAFF CONNXIONS-SOUTHWEST, INC., a Texas corporation  
Fed. Tax ID #: 76-0422152

By: \_\_\_\_\_

Name:

Title:

Address: 2 Northpoint Drive, Suite 110, Houston, Texas 77060

[AMENDED & RESTATED SECURED PROMISSORY NOTE A]

THE TEAMSTAFF COMPANIES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988438

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF, INC., a Florida corporation  
Fed. Tax ID #: 59-3067619

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF II, INC., a Florida corporation  
Fed. Tax ID #: 59-3277121

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF III, INC., a Florida corporation  
Fed. Tax ID #: 59-3277124

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF IV, INC., a Florida corporation  
Fed. Tax ID #: 59-3277126

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

[AMENDED & RESTATED SECURED PROMISSORY NOTE A]

TEAMSTAFF V, INC., a Florida corporation  
Fed. Tax ID #: 59-3277127

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF U.S.A., INC., a Florida corporation  
Fed. Tax ID #: 59-2988440

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF INSURANCE SERVICES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988436

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF HOLDING COMPANY, INC., a Florida corporation  
Fed. Tax ID #: 59-3236075

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

EMPLOYER SUPPORT SERVICES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988443

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

[AMENDED & RESTATED SECURED PROMISSORY NOTE A]

## SECURED PROMISSORY NOTE B

\$2,500,000.00

Phoenix, Arizona  
January 25, 1999

FOR VALUE RECEIVED, DIGITAL SOLUTIONS, INC., a New Jersey Corporation, DSI CONTRACT STAFFING, INC., a New York corporation, DSI STAFF CONNXIONS NORTHEAST, INC., a New Jersey corporation, DSI STAFF CONNXIONS-SOUTHWEST, INC., a Texas corporation, DSI STAFF RX, INC., a Texas corporation, THE TEAMSTAFF COMPANIES, INC., a Florida corporation, TEAMSTAFF, INC., a Florida corporation, TEAMSTAFF II, Inc., a Florida corporation, TEAMSTAFF III, Inc., a Florida corporation, TEAMSTAFF IV, Inc., a Florida corporation, TEAMSTAFF V, Inc., a Florida corporation, TEAMSTAFF U.S.A., Inc., a Florida corporation, TEAMSTAFF INSURANCE SERVICES, INC., a Florida corporation, TEAMSTAFF HOLDING COMPANY, INC., a Florida corporation, and EMPLOYER SUPPORT SERVICES, INC., a Florida corporation (collectively, "Borrower"), jointly and severally promise to pay to the order of FINOVA CAPITAL CORPORATION, a Delaware corporation ("FINOVA"), at its offices at 355 South Grand Avenue, Suite 2400, Los Angeles, California 90071, or at such other place or places as FINOVA may from time to time designate in writing, the principal sum of TWO MILLION FIVE HUNDRED THOUSAND Dollars (\$2,500,000), plus interest in the manner and upon the terms and conditions set forth below. This Secured Promissory Note B ("Note") is made pursuant to that certain Amended and Restated Loan and Security Agreement of even date herewith between FINOVA and Borrower (the "Loan Agreement"), the provisions of which are incorporated herein by this reference. Capitalized terms herein, unless otherwise noted, shall have the meaning set forth in the Loan Agreement.

## 1.0 SCHEDULE OF PAYMENTS; RATE AND PAYMENT OF INTEREST; PREPAYMENT.

1.1 The principal balance of this Note shall be payable as follows:

a. twelve (12) equal successive monthly installments of principal of Forty-One Thousand Six Hundred Sixty-Seven Dollars (\$41,667.00) each on the first day of each month, beginning March 1, 1999, and continuing through and including February 1, 2000;

b. twelve (12) equal successive monthly installments of principal of Fifty Thousand Dollars (\$50,000.00) each on the first day of each month, beginning March 1, 2000, and continuing through and including February 1, 2001;

c. ten (10) equal successive monthly installments of principal of Fifty-Eight Thousand Three Hundred Thirty-Three Dollars (\$58,333.00) each on the first day of each month, beginning March 1, 2001, and continuing through and including December 1, 2001;

d. A final installment equal to the then unpaid principal balance hereof on January 1, 2002.

1.2 Prepayment may be made under this Note in whole or in part, subject to, in the case of prepayment in whole, the Termination Fee and Success Fee set forth in the Loan Agreement, provided that such prepayment is preceded by not less than five (5) business days prior written notice to FINOVA and accompanied by all accrued but unpaid interest and the full amount of the applicable Termination Fee, if any, and Success Fee. Notwithstanding anything herein to the contrary, in the event the Loan Agreement is terminated by Borrower, by FINOVA or by any other person at any time in accordance with its terms, or the Revolving Credit Loans facility is otherwise terminated for any reason, then the entire unpaid principal balance of this Note, together with all accrued and unpaid interest hereon and the full amount of the applicable Termination Fee and Success Fee, shall become immediately due and payable in full on the effective date of such termination, without presentment, notice or demand of any kind.

1.3 Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed, and shall be at the rate of three (3%) percentage points above the Prime Rate (as hereinafter defined), computed on the basis of a 360-day year; provided, however, upon the occurrence and during the continuance of an Event of Default, interest shall accrue on the outstanding principal balance of this Note at a default rate (the "Default Rate") of five (5%) percentage points above the Prime Rate, and shall be payable on demand. "Prime Rate" means, for any day, the rate of interest per annum (over a year of 360 days) announced by Citibank, N.A. (the "Bank"), from time to time, as its "base rate" (or any successor thereto) in effect on such day. The Prime Rate is not necessarily the lowest rate charged by the Bank. As of the date of this Note, the Prime Rate is seven and three-quarters percent (7.75%) per annum. The applicable rate of interest assessed hereunder will be increased or decreased from time to time hereafter in an amount equal to any increase or decrease hereafter made by the Bank in the Prime Rate. A change in the Prime Rate shall be effective on the first day following such change. Accrued interest shall be payable monthly in arrears on the first day of each month, commencing March 1, 1999, and upon the final payment in full of the principal balance hereof.

## 2.0 EVENTS OF DEFAULTS; REMEDIES.

2.1 Upon the occurrence of any Event of Default under and as defined in the Loan Agreement, in addition to FINOVA's right to charge interest on the Obligations at the Default Rate: (a) at the option of FINOVA, the entire unpaid amount of this Note and all of the other Obligations, including without limitation the Termination Fee, shall become immediately due and payable without demand, notice or legal process of any kind; (b) FINOVA may, at its option, without demand, notice or legal process of any kind, exercise any and all rights and remedies granted to it by the Loan Agreement or by any other agreement now or hereafter existing between FINOVA and Borrower or between FINOVA and any guarantor of part or all of Borrower's liabilities to FINOVA; and (c) FINOVA may at its option exercise from time to time any other rights and remedies available to it under the Uniform Commercial Code or other law of the State of Arizona.

2.2 The remedies of FINOVA as provided herein and in the Loan Agreement shall be cumulative and concurrent, and may be pursued singularly, successively, or together, at the sole discretion of FINOVA. No act of omission or commission of FINOVA, including specifically any failure to exercise any right, remedy or recourse, shall be deemed to be a waiver

or release of the same, such waiver or release to be effected only through a written document executed by FINOVA and then only to the extent specifically recited therein. A waiver or release with reference to any one event shall not be construed as continuing, as a bar to, or as a waiver or release of, any subsequent right, remedy or recourse as to a subsequent event.

3.0 GENERAL PROVISIONS.

3.1 Borrower warrants and represents to FINOVA that Borrower has used and will continue to use the loans and advances represented by this Note solely for proper business purposes, and consistent with all applicable laws and statutes.

3.2 This Note is secured by the Collateral described in the Loan Agreement.

3.3 Borrower waives presentment, demand and protest, notice of protest, notice of presentment and all other notices and demands in connection with the enforcement of FINOVA's rights hereunder, except as specifically provided and called for by this Note, and hereby consents to, and waives notice of, the release, addition, or substitution, with or without consideration, of any collateral or of any person liable for payment of this Note. Any failure of FINOVA to exercise any right available hereunder or otherwise shall not be construed as a waiver of the right to exercise the same or as a waiver of any other right at any other time.

3.4 If this Note is not paid when due or upon the occurrence of an Event of Default, Borrower further promises to pay all costs of collection, foreclosure fees, reasonable attorneys fees and expert witness fees incurred by FINOVA, whether or not suit is filed hereon, and the fees, costs and expenses as provided in the Loan Agreement.

3.5 The contracted for rate of interest of the loan contemplated hereby, without limitation, shall consist of the following: (i) the interest rate set forth on the Schedule, calculated and applied to the principal balance of this Note in accordance with the provisions of this Note: (ii) interest after an Event of Default, calculated and applied to the amounts due under this Note in accordance with the provisions hereof; and (iii) all Additional Sums (as herein defined), if any. Borrower agrees to pay an effective contracted for rate of interest which is the sum of the above-referenced elements. All examination fees, attorneys fees, expert witness fees, letter of credit fees, collateral monitoring fees, closing fees, facility fees, Termination Fees, Minimum Interest Charges, other charges, goods, things in action or any other sums or things of value paid or payable by Borrower (collectively, the "Additional Sums"), whether pursuant to this Note, the Loan Agreement or any other documents or instruments in any way pertaining to this lending transaction, or otherwise with respect to this lending transaction, that under any applicable law may be deemed to be interest with respect to this lending transaction, for the purpose of any applicable law that may limit the maximum amount of interest to be charged with respect to this lending transaction, shall be payable by Borrower as, and shall be deemed to be, additional interest and for such purposes only, the agreed upon and "contracted for rate of interest" of this lending transaction shall be deemed to be increased by the rate of interest resulting from the inclusion of the Additional Sums.

3.6 It is the intent of the parties to comply with the usury law of the State of Arizona (the "Applicable Usury Law"). Accordingly, it is agreed that notwithstanding any provisions to the contrary in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, in no event shall this Note or such documents require the payment or permit the collection of interest in excess of the maximum Interest Rate, then in any such event (1) the provisions of the paragraph shall govern and control, (2) neither Borrower nor any other person or entity now or hereafter liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the Maximum Interest Rate, (3) any such excess which may have been collected shall be either applied as a credit against the then unpaid principal amount hereof or refunded to Borrower, at FINOVA's option, and (4) the effective rate of interest shall be automatically reduced to the Maximum Interest Rate. It is further agreed, without limiting the generality of the foregoing, that to the extent permitted by the Applicable Usury Law; (x) all calculations of interest which are made for the purpose of determining whether such rate would exceed the Maximum Interest Rate shall be made by amortizing, prorating, allocating and spreading during the period of the full stated term of the loan evidenced hereby, all interest at any time contracted for, charged or received from Borrower or otherwise in connection with such loan; and (y) in the event that the effective rate of interest on the loan should at any time exceed the Maximum Interest Rate, such excess interest that would otherwise have been collected had there been no ceiling imposed by the Applicable Usury Law shall be paid to FINOVA from time to time, if and when the effective interest rate on the loan otherwise fall below the Maximum Interest Rate, until the entire amount of interest which would otherwise have been collected had there been no ceiling imposed by the Applicable Usury Law has been paid in full. Borrower further agrees that should the Maximum Interest Rate be increased at any time hereafter because of a change in the Applicable Usury Law, then to the extent not prohibited by the Applicable Usury Law, such increases shall apply to all indebtedness evidenced hereby regardless of when incurred; but, again to the extent not prohibited by the Applicable Usury Law, should the maximum Interest Rate be decreased because of a change in the Applicable Usury Law, such decreases shall not apply to the indebtedness evidenced hereby regardless of when incurred.

3.7 FINOVA may at any time transfer this Note and FINOVA's rights in any or all collateral securing this Note, and FINOVA thereafter shall be relieved from all liability with respect to such collateral arising after the date of such transfer.

3.8 This Note shall be binding upon Borrower and its legal representatives, successors and assigns. Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Note shall be prohibited by or invalid under such law, such provision shall be severable, and be ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provision of this Note.

THIS NOTE HAS BEEN DELIVERED FOR ACCEPTANCE BY FINOVA IN PHOENIX, ARIZONA AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO THE CONFLICTS OF LAW PROVISIONS) OF THE STATE OF ARIZONA, AS THE SAME MAY FROM TIME TO TIME BE IN EFFECT, INCLUDING, WITHOUT LIMITATION, THE UNIFORM

COMMERCIAL CODE AS ADOPTED IN ARIZONA. BORROWER HEREBY (i) IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN MARICOPA COUNTY, ARIZONA OVER ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY MATTER ARISING FROM OR RELATED TO THIS NOTE; (ii) WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON BORROWER, AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY MESSENGER, CERTIFIED MAIL OR REGISTERED MAIL DIRECTED TO BORROWER AT THE ADDRESS SET FORTH BELOW AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT OR THREE (3) DAYS AFTER THE SAME SHALL HAVE BEEN POSTED TO BORROWER'S ADDRESS; (iii) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT BORROWER MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING; (iv) AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW; (v) AGREES NOT TO INSTITUTE ANY LEGAL ACTION OR PROCEEDING AGAINST FINOVA OR ANY OF FINOVA'S DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR PROPERTY, CONCERNING ANY MATTER ARISING OUT OF OR RELATING TO THIS NOTE IN ANY COURT OTHER THAN ONE LOCATED IN MARICOPA COUNTY, ARIZONA; AND (vi) IRREVOCABLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION ARISING UNDER OR IN CONNECTION WITH THIS NOTE. NOTHING IN THIS PARAGRAPH SHALL AFFECT OR IMPAIR FINOVA'S RIGHT TO SERVE LEGAL PROCESS IN ANY MANNER PERMITTED BY LAW OR FINOVA'S RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR BORROWER'S PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

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DIGITAL SOLUTIONS, INC., a New Jersey corporation  
Fed. Tax ID #: 22-1899798

By: \_\_\_\_\_

Name:

Title:

Address: 300 Atrium Drive, Somerset, New Jersey 08773

DSI CONTRACT STAFFING, INC., a New York corporation  
Fed. Tax ID #: 13-2878077

By: \_\_\_\_\_

Name:

Title:

Address: 245 Fifth Avenue, Suite 1003, New York, New York 10016

DSI STAFF CONNXIONS NORTHEAST, INC., a New Jersey corporation  
Fed. Tax ID #: 22-3405060

By: \_\_\_\_\_

Name:

Title:

Address: 300 Atrium Drive, Somerset, New Jersey 08773

DSI STAFF Rx, INC., a Texas corporation  
Fed. Tax ID #: 76-0451040

By: \_\_\_\_\_

Name:

Title:

Address: 2 Northpoint Drive, Suite 110, Houston, Texas 77060

DSI STAFF CONNXIONS-SOUTHWEST, INC., a Texas corporation  
Fed. Tax ID #: 76-0422152

By: \_\_\_\_\_

Name:

Title:

Address: 2 Northpoint Drive, Suite 110, Houston, Texas 77060

[SECURED PROMISSORY NOTE B]

THE TEAMSTAFF COMPANIES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988438

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF, INC., a Florida corporation  
Fed. Tax ID #: 59-3067619

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF II, INC., a Florida corporation  
Fed. Tax ID #: 59-3277121

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF III, INC., a Florida corporation  
Fed. Tax ID #: 59-3277124

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF IV, INC., a Florida corporation  
Fed. Tax ID #: 59-3277126

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

[SECURED PROMISSORY NOTE B]

TEAMSTAFF V, INC., a Florida corporation  
Fed. Tax ID #: 59-3277127

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF U.S.A., INC., a Florida corporation  
Fed. Tax ID #: 59-2988440

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF INSURANCE SERVICES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988436

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF HOLDING COMPANY, INC., a Florida corporation  
Fed. Tax ID #: 59-3236075

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

EMPLOYER SUPPORT SERVICES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988443

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

[SECURED PROMISSORY NOTE B]

## SECURED PROMISSORY NOTE C

\$750,000.00

Phoenix, Arizona  
January 25, 1999

FOR VALUE RECEIVED, DIGITAL SOLUTIONS, INC., a New Jersey Corporation, DSI-CONTRACT STAFFING, INC., a New York corporation, DSI STAFF CONNXIONS NORTHEAST, INC., a New Jersey corporation, DSI STAFF CONNXIONS-SOUTHWEST, INC., a Texas corporation, DSI-STAFF RX, INC., a Texas corporation, THE TEAMSTAFF COMPANIES, INC., a Florida corporation, TEAMSTAFF, INC., a Florida corporation, TEAMSTAFF II, Inc., a Florida corporation, TEAMSTAFF III, Inc., a Florida corporation, TEAMSTAFF IV, Inc., a Florida corporation, TEAMSTAFF V, Inc., a Florida corporation, TEAMSTAFF U.S.A., Inc., a Florida corporation, TEAMSTAFF INSURANCE SERVICES, INC., a Florida corporation, TEAMSTAFF HOLDING COMPANY, INC., a Florida corporation, and EMPLOYER SUPPORT SERVICES, INC., a Florida corporation (collectively, "Borrower"), jointly and severally promise to pay to the order of FINOVA CAPITAL CORPORATION, a Delaware corporation ("FINOVA"), at its offices at 355 South Grand Avenue, Suite 2400, Los Angeles, California 90071, or at such other place or places as FINOVA may from time to time designate in writing, the principal sum of SEVEN HUNDRED FIFTY THOUSAND Dollars (\$750,000), plus interest in the manner and upon the terms and conditions set forth below. This Secured Promissory Note C ("Note") is made pursuant to that certain Amended and Restated Loan and Security Agreement of even date herewith between FINOVA and Borrower (the "Loan Agreement"), the provisions of which are incorporated herein by this reference. Capitalized terms herein, unless otherwise noted, shall have the meaning set forth in the Loan Agreement.

## 1.0 SCHEDULE OF PAYMENTS; RATE AND PAYMENT OF INTEREST; PREPAYMENT.

1.1 The principal balance of this Note shall be payable as follows:

a. Twenty-two (22) equal successive monthly installments of principal, each equal to one forty-eighth (1/48) of the unpaid principal balance hereof on March 1, 2000, each on the first day of each month, beginning March 1, 2000, and continuing through and including December 1, 2001;

b. A final installment equal to the then unpaid principal balance hereof on January 1, 2002.

1.2 Prepayment may be made under this Note in whole or in part, subject to, in the case of prepayment in whole, the Success Fee set forth in the Loan Agreement, provided that such prepayment is preceded by not less than five (5) business days prior written notice to FINOVA and accompanied by all accrued but unpaid interest and the full amount of the Success Fee. Notwithstanding anything herein to the contrary, in the event the Loan Agreement is terminated by Borrower, by FINOVA or by any other person at any time

in accordance with its terms, or the Revolving Credit Loans facility is otherwise terminated for any reason, then the entire unpaid principal balance of this Note, together with all accrued and unpaid interest hereon and the full amount of the Success Fee, shall become immediately due and payable in full on the effective date of such termination, without presentment, notice or demand of any kind.

1.3 Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed, and shall be at the rate of twelve percent (12%) per annum, computed on the basis of a 360-day year; provided, however, upon the occurrence and during the continuance of an Event of Default, interest shall accrue on the outstanding principal balance of this Note at a default rate (the "Default Rate") of fourteen percent (14%) per annum, and shall be payable on demand. Accrued interest shall be payable monthly in arrears on the first day of each month, commencing March 1, 1999, and upon the final payment in full of the principal balance hereof.

2.0 EVENTS OF DEFAULTS; REMEDIES.

2.1 Upon the occurrence of any Event of Default under and as defined in the Loan Agreement, in addition to FINOVA's right to charge interest on the Obligations at the Default Rate: (a) at the option of FINOVA, the entire unpaid amount of this Note and all of the other Obligations shall become immediately due and payable without demand, notice or legal process of any kind; (b) FINOVA may, at its option, without demand, notice or legal process of any kind, exercise any and all rights and remedies granted to it by the Loan Agreement or by any other agreement now or hereafter existing between FINOVA and Borrower or between FINOVA and any guarantor of part or all of Borrower's liabilities to FINOVA; and (c) FINOVA may at its option exercise from time to time any other rights and remedies available to it under the Uniform Commercial Code or other law of the State of Arizona.

2.2 The remedies of FINOVA as provided herein and in the Loan Agreement shall be cumulative and concurrent, and may be pursued singularly, successively, or together, at the sole discretion of FINOVA. No act of omission or commission of FINOVA, including specifically any failure to exercise any right, remedy or recourse, shall be deemed to be a waiver or release of the same, such waiver or release to be effected only through a written document executed by FINOVA and then only to the extent specifically recited therein. A waiver or release with reference to any one event shall not be construed as continuing, as a bar to, or as a waiver or release of, any subsequent right, remedy or recourse as to a subsequent event.

3.0 GENERAL PROVISIONS.

3.1 Borrower warrants and represents to FINOVA that Borrower has used and will continue to use the loans and advances represented by this Note solely for proper business purposes, and consistent with all applicable laws and statutes.

3.2 This Note is secured by the Collateral described in the Loan Agreement.

3.3 Borrower waives presentment, demand and protest, notice of protest, notice of presentment and all other notices and demands in connection with the enforcement of FINOVA's rights hereunder, except as specifically provided and called for by this Note, and hereby consents to, and waives notice of, the release, addition, or substitution, with or without consideration, of any collateral or of any person liable for payment of this Note. Any failure of FINOVA to exercise any right available hereunder or otherwise shall not be construed as a waiver of the right to exercise the same or as a waiver of any other right at any other time.

3.4 If this Note is not paid when due or upon the occurrence of an Event of Default, Borrower further promises to pay all costs of collection, foreclosure fees, reasonable attorneys fees and expert witness fees incurred by FINOVA, whether or not suit is filed hereon, and the fees, costs and expenses as provided in the Loan Agreement.

3.5 The contracted for rate of interest of the loan contemplated hereby, without limitation, shall consist of the following: (i) the interest rate set forth on the Schedule, calculated and applied to the principal balance of this Note in accordance with the provisions of this Note; (ii) interest after an Event of Default, calculated and applied to the amounts due under this Note in accordance with the provisions hereof; and (iii) all Additional Sums (as herein defined), if any. Borrower agrees to pay an effective contracted for rate of interest which is the sum of the above-referenced elements. All examination fees, attorneys fees, expert witness fees, letter of credit fees, collateral monitoring fees, closing fees, facility fees, Minimum Interest Charges, other charges, goods, things in action or any other sums or things of value paid or payable by Borrower (collectively, the "Additional Sums"), whether pursuant to this Note, the Loan Agreement or any other documents or instruments in any way pertaining to this lending transaction, or otherwise with respect to this lending transaction, that under any applicable law may be deemed to be interest with respect to this lending transaction, for the purpose of any applicable law that may limit the maximum amount of interest to be charged with respect to this lending transaction, shall be payable by Borrower as, and shall be deemed to be, additional interest and for such purposes only, the agreed upon and "contracted for rate of interest" of this lending transaction shall be deemed to be increased by the rate of interest resulting from the inclusion of the Additional Sums.

3.6 It is the intent of the parties to comply with the usury law of the State of Arizona (the "Applicable Usury Law"). Accordingly, it is agreed that notwithstanding any provisions to the contrary in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, in no event shall this Note or such documents require the payment or permit the collection of interest in excess of the maximum Interest Rate, then in any such event (1) the provisions of the paragraph shall govern and control, (2) neither Borrower nor any other person or entity now or hereafter liable for the payment hereof shall be obligated to

pay the amount of such interest to the extent that it is in excess of the Maximum Interest Rate, (3) any such excess which may have been collected shall be either applied as a credit against the then unpaid principal amount hereof or refunded to Borrower, at FINOVA's option, and (4) the effective rate of interest shall be automatically reduced to the Maximum Interest Rate. It is further agreed, without limiting the generality of the foregoing, that to the extent permitted by the Applicable Usury Law; (x) all calculations of interest which are made for the purpose of determining whether such rate would exceed the Maximum Interest Rate shall be made by amortizing, prorating, allocating and spreading during the period of the full stated term of the loan evidenced hereby, all interest at any time contracted for, charged or received from Borrower or otherwise in connection with such loan; and (y) in the event that the effective rate of interest on the loan should at any time exceed the Maximum Interest Rate, such excess interest that would otherwise have been collected had there been no ceiling imposed by the Applicable Usury Law shall be paid to FINOVA from time to time, if and when the effective interest rate on the loan otherwise fall below the Maximum Interest Rate, until the entire amount of interest which would otherwise have been collected had there been no ceiling imposed by the Applicable Usury Law has been paid in full. Borrower further agrees that should the Maximum Interest Rate be increased at any time hereafter because of a change in the Applicable Usury Law, then to the extent not prohibited by the Applicable Usury Law, such increases shall apply to all indebtedness evidenced hereby regardless of when incurred; but, again to the extent not prohibited by the Applicable Usury Law, should the maximum Interest Rate be decreased because of a change in the Applicable Usury Law, such decreases shall not apply to the indebtedness evidenced hereby regardless of when incurred.

3.7 FINOVA may at any time transfer this Note and FINOVA's rights in any or all collateral securing this Note, and FINOVA thereafter shall be relieved from all liability with respect to such collateral arising after the date of such transfer.

3.8 This Note shall be binding upon Borrower and its legal representatives, successors and assigns. Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Note shall be prohibited by or invalid under such law, such provision shall be severable, and be ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provision of this Note.

THIS NOTE HAS BEEN DELIVERED FOR ACCEPTANCE BY FINOVA IN PHOENIX, ARIZONA AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO THE CONFLICTS OF LAW PROVISIONS) OF THE STATE OF ARIZONA, AS THE SAME MAY FROM TIME TO TIME BE IN EFFECT, INCLUDING, WITHOUT LIMITATION, THE UNIFORM COMMERCIAL CODE AS ADOPTED IN ARIZONA. BORROWER HEREBY (i) IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN MARICOPA COUNTY, ARIZONA OVER ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY MATTER ARISING FROM OR

RELATED TO THIS NOTE; (ii) WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON BORROWER, AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY MESSENGER, CERTIFIED MAIL OR REGISTERED MAIL DIRECTED TO BORROWER AT THE ADDRESS SET FORTH BELOW AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT OR THREE (3) DAYS AFTER THE SAME SHALL HAVE BEEN POSTED TO BORROWER'S ADDRESS; (iii) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT BORROWER MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING; (iv) AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW; (v) AGREES NOT TO INSTITUTE ANY LEGAL ACTION OR PROCEEDING AGAINST FINOVA OR ANY OF FINOVA'S DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR PROPERTY, CONCERNING ANY MATTER ARISING OUT OF OR RELATING TO THIS NOTE IN ANY COURT OTHER THAN ONE LOCATED IN MARICOPA COUNTY, ARIZONA; AND (vi) IRREVOCABLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION ARISING UNDER OR IN CONNECTION WITH THIS NOTE. NOTHING IN THIS PARAGRAPH SHALL AFFECT OR IMPAIR FINOVA'S RIGHT TO SERVE LEGAL PROCESS IN ANY MANNER PERMITTED BY LAW OR FINOVA'S RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR BORROWER'S PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

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DIGITAL SOLUTIONS, INC., a New Jersey corporation  
Fed. Tax ID #: 22-1899798

By: \_\_\_\_\_  
Name:  
Title:  
Address: 300 Atrium Drive, Somerset, New Jersey 08773

DSI CONTRACT STAFFING, INC., a New York corporation  
Fed. Tax ID #: 13-2878077

By: \_\_\_\_\_  
Name:  
Title:  
Address: 245 Fifth Avenue, Suite 1003, New York, New York 10016

DSI STAFF CONNXIONS NORTHEAST, INC., a New Jersey corporation  
Fed. Tax ID #: 22-3405060

By: \_\_\_\_\_  
Name:  
Title:  
Address: 300 Atrium Drive, Somerset, New Jersey 08773

DSI STAFF RX, INC., a Texas corporation  
Fed. Tax ID #: 76-0451040

By: \_\_\_\_\_  
Name:  
Title:  
Address: 2 Northpoint Drive, Suite 110, Houston, Texas 77060

DSI STAFF CONNXIONS-SOUTHWEST, INC., a Texas corporation  
Fed. Tax ID #: 76-0422152

By: \_\_\_\_\_  
Name:  
Title:  
Address: 2 Northpoint Drive, Suite 110, Houston, Texas 77060

[SECURED PROMISSORY NOTE C]

THE TEAMSTAFF COMPANIES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988438

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF, INC., a Florida corporation  
Fed. Tax ID #: 59-3067619

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF II, INC., a Florida corporation  
Fed. Tax ID #: 59-3277121

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF III, INC., a Florida corporation  
Fed. Tax ID #: 59-3277124

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF IV, INC., a Florida corporation  
Fed. Tax ID #: 59-3277126

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

[SECURED PROMISSORY NOTE C]

TEAMSTAFF V, INC., a Florida corporation  
Fed. Tax ID #: 59-3277127

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF U.S.A., INC., a Florida corporation  
Fed. Tax ID #: 59-2988440

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF INSURANCE SERVICES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988436

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

TEAMSTAFF HOLDING COMPANY, INC., a Florida corporation  
Fed. Tax ID #: 59-3236075

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

EMPLOYER SUPPORT SERVICES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988443

By: \_\_\_\_\_  
Name:  
Title:  
Address: 1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

[SECURED PROMISSORY NOTE C]

AMENDED AND RESTATED SCHEDULE TO  
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

Borrower - - - - -	Address - - - - -
DIGITAL SOLUTIONS, INC.	300 Atrium Drive, Somerset, NJ 08873
DSI CONTRACT STAFFING, INC.	245 Fifth Avenue, Suite 1003 New York, NY 10016
DSI STAFF CONNXIONS NORTHEAST, INC.	300 Atrium Drive, Somerset, NJ 08873
DSI STAFF CONNXIONS-SOUTHWEST, INC.	2 Northpoint Drive, Suite 110 Houston, Texas 77060
DSI STAFF Rx, INC.	2 Northpoint Drive, Suite 110 Houston, Texas 77060
THE TEAMSTAFF COMPANIES, INC.	1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607
TEAMSTAFF, INC.	1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607
TEAMSTAFF II, INC.	1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607
TEAMSTAFF III, INC.	1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607
TEAMSTAFF IV, INC.	1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607
TEAMSTAFF V, INC.	1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607
TEAMSTAFF U.S.A., INC.	1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607
TEAMSTAFF INSURANCE SERVICES, INC.	1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607
TEAMSTAFF HOLDING COMPANY, INC.	1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607
EMPLOYER SUPPORT SERVICES, INC.	1211 N. Westshore Blvd., Suite 806, Tampa, FL 33607

DATE: JANUARY 25, 1999

This Amended and Restated Schedule ("SCHEDULE") forms an integral part of the Amended and Restated Loan and Security Agreement between the above Borrowers and FINOVA Capital Corporation dated the above date, and all references herein and therein to "this Agreement" shall be deemed to refer to said Agreement and to this Schedule.

DEFINITIONS (SECTION 1):

"Guarantor(s)" means each subsidiary of DSI that is not a Borrower.

TOTAL FACILITY (SECTION 2.1):

\$8,250,000

LOANS (SECTION 2.2):

REVOLVING CREDIT LOANS: A revolving line of credit consisting of loans against Borrowers' Eligible Receivables (the "REVOLVING CREDIT LOANS") in an aggregate outstanding principal amount not to exceed the lesser of (a) or (b) below:

- (a) Two Million Five Hundred Thousand Dollars (\$2,500,000) (the "REVOLVING CREDIT LIMIT"), less any Loan Reserves, or
- (b) the sum of an amount equal to (i) 85% of the aggregate net amount of Eligible Receivables of all Borrowers, less (ii) the aggregate undrawn face amount of all Letters of Credit issued under Section 2.4 of this Agreement; less any Loan Reserves.

TERM LOANS:

1. TERM LOAN A

A term loan ("TERM LOAN A") is an original principal amount of Two Million Five Hundred Thousand Dollars (\$2,500,000); provided, that Term Loan A shall be on such terms as are set forth on separate promissory note of Borrowers in the form attached hereto as Exhibit 2.2(A).

2. TERM LOAN B

A term loan ("TERM LOAN B") in an original principal amount of Two Million Five Hundred Thousand Dollars (\$2,500,000); provided, that Term Loan B shall be on such terms as are set forth on separate promissory note of Borrowers in the form attached hereto as Exhibit 2.2(B).

3. TERM LOAN C

A term loan ("TERM LOAN C") in an original principal amount of Seven Hundred Fifty Thousand Dollars (\$750,000); provided, that Term Loan C shall be on such terms as are set forth on separate promissory note of Borrowers in the form attached hereto as Exhibit 2.2(C).

(Term Loan A, Term Loan B and Term Loan C shall each be referred to as a "TERM LOAN" and shall be collectively referred to as the "TERM LOANS")

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LETTERS OF CREDIT (SECTION 2.4):

The aggregate face amount of all outstanding Letters of Credit from time to time shall not exceed \$460,000, and shall be reserved against the availability of Revolving Credit Loans pursuant to Section 2.4 hereof. The L/C Fee, which is payable to FINOVA in addition to all applicable bank charges, shall equal 1.5% per annum of the aggregate face amount of each Letter of Credit outstanding from time to time during the term of this Agreement. The L/C Fee shall be deemed to be fully earned upon the issuance of each Letter of Credit and shall be due and payable on the first Business Day of each month following a month during which any Letter of Credit is outstanding.

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INTEREST AND FEES (SECTION 2.6):

Revolving Interest Rate. Borrowers shall pay jointly and severally FINOVA interest on the daily outstanding balance of Borrowers' Revolving Credit Loans at a per annum rate of 1.0% in excess of the rate of interest announced publicly by Citibank, N.A., (or any successor thereto), from time to time as its "prime rate" (the "PRIME RATE") which may not be such institution's lowest rate. The interest rate chargeable hereunder in respect of the Revolving Credit Loans (herein, the "REVOLVING INTEREST RATE") shall be increased or decreased, as the case may be, without notice or demand of any kind, upon the announcement of any change in the Prime Rate. Each change in the Prime Rate shall be effective hereunder on the first day following the announcement of such change. Interest charges and all other fees and charges herein shall be computed on the basis of a year of 360 days and actual days elapsed and shall be payable to FINOVA in arrears on the first day of each month.

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Term Interest Rate: Borrowers shall pay jointly and severally FINOVA interest on the daily outstanding balance of each of the Term Loans at the following per annum rates (each a "TERM INTEREST RATE"):

- (i) Term Loan A and Term Loan B: 3.0% in excess of the Prime Rate, and
- (ii) Term Loan C: 12.0%.

The Term Interest Rate chargeable hereunder in respect of Term Loan A and Term Loan B shall be increased or decreased, as the case may be, without notice or demand of any kind, upon the announcement of

any change in the Prime Rate. Each change in the Prime Rate shall be effective hereunder on the first day following the announcement of such change. Interest charges and all other fees and charges here shall be computed on the basis of a year of 360 days and actual days elapsed and shall be payable to FINOVA in arrears on the first day of each month.

Closing Fee. Borrowers shall pay jointly and severally to FINOVA a closing fee in an amount equal to 1.0% of the Total Facility ("CLOSING FEE"), of which \$63,750.00 has been paid prior to the Amendment Closing Date, and the balance of \$18,750.00 shall be paid on the Amendment Closing Date, and which shall be deemed fully earned on the date such payment is due.

Unused Line Fee. With respect to each fiscal quarter, or portion thereof during the term of this Agreement, Borrowers shall unconditionally and jointly and severally pay to FINOVA a fee equal to one-quarter of one percent (0.25%) per annum of the difference between the Revolving Credit Limit and the average daily outstanding balance of the Revolving Credit Loans during such quarter, or portion thereof ("UNUSED LINE FEE"), which fee shall be calculated and payable quarterly, in arrears, and shall be due and payable, commencing on the first Business Day of the Borrower's first fiscal quarter following the Closing Date and continuing on the first Business Day of each fiscal quarter thereafter.

Success Fee. Borrowers shall jointly and severally pay FINOVA a success fee ("SUCCESS FEE") in the following amounts:

1. TERM LOAN A:

\$675,000, which is fully earned as of the Closing Date and shall be payable in three installments as follows: \$200,000 on April 27, 1999; \$225,000 on April 27, 2000; and \$250,000 on April 30, 2001. If Borrowers prepay in full the principal balance of Term Loan A prior to April 30, 2001, then all unpaid installments of the Success Fee due with respect to Term Loan A shall be immediately due and payable and shall be paid on the date of such prepayment.

2. TERM LOAN B:

\$675,000, which is fully earned as of the Amendment Closing Date and shall be payable in three installments as follows: \$200,000 on January 24, 2000; \$225,000 on January 24, 2001; and \$250,000 on January 24, 2002. If Borrowers prepay in full the principal balance of Term Loan B prior to the last Business Day of the Initial Term, then all unpaid installments of the Success Fee due with respect to

Term Loan B shall be immediately due and payable and shall be paid on the date of such prepayment.

3. TERM LOAN C:

\$56,250, if Term Loan C is fully repaid within six months after the Amendment Closing Date, \$112,500 if Term Loan C is fully repaid more than six months after the Amendment Closing Date and within twelve months after the Amendment Closing Date, or \$225,000 if Term Loan C is fully repaid more than twelve months after the Amendment Closing Date, in any case which is fully earned as of the Amendment Closing Date, and shall be payable on the payment or prepayment in full of Term Loan C.

If the Agreement is terminated for any reason prior to the last Business Day of the Initial Term, then all unpaid installments of the Success Fee shall be immediately due and payable and shall be paid on the date of such termination.

Examination Fee. Borrowers agree to pay jointly and severally to FINOVA an examination fee in the amount of \$600 per person per day in connection with each audit or examination of Borrower performed by FINOVA prior to or after the date hereof, plus all costs and expenses incurred in connection therewith (the "EXAMINATION FEE"). Without limiting the generality of the foregoing, Borrowers shall jointly and severally pay to FINOVA an initial Examination Fee in an amount equal to \$600 per person per day, plus all costs and expenses incurred in connection therewith. Such initial Examination Fee shall be deemed fully earned at the time of payment and due and payable upon the closing of this transaction, and shall be deducted from any good faith deposit paid by Borrower to FINOVA prior to the date of this Agreement.

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CONDITIONS OF CLOSING - INITIAL ADVANCE (SECTION 4.1):

The obligation of FINOVA to make the initial advance hereunder or to issue or arrange for the issuance of the initial Letter of Credit hereunder is subject to the fulfillment, to the satisfaction of FINOVA and its counsel, of each of the following conditions, in addition to the conditions set forth in Section 4.1 above:

- (a) Minimum Excess Availability (Section 4.1(b)). Not less than \$300,000.

(b) Lease and Landlord's Consent (Section 4.1(j)). Locations: 300 Atrium Drive, Somerset, New Jersey; 4050 Rio Bravo, El Paso, Texas; 2 Northpoint Drive, Houston, Texas; and 601 Cleveland Street, Clearwater, Florida.

(c) No Material Adverse Change (Section 4.1(s)). Further, no material adverse change has occurred in the Borrower's business, operations, financial condition, or assets or in the respect of repayment of the Obligations since February 28, 1998.

(d) Support Agreements. Donald T. Kelly shall have delivered a Support Agreement in favor of FINOVA and in form and substance satisfactory to FINOVA.

(e) Transaction Costs (Section 4.1(X)). Not to exceed \$350,000.

Borrowers shall cause the conditions precedent set forth in Section 4.1 of this Agreement to be satisfied, and shall provide evidence to FINOVA that all such conditions precedent have been satisfied, on or before April 28, 1998.

CONDITIONS OF CLOSING - AMENDMENT EFFECTIVENESS (SECTION 4.2):

The effectiveness of the amendments to the Original Agreement effectuated by this Agreement and the obligation of FINOVA to make Term Loan B and Term Loan C (as defined in the Schedule) is subject to the fulfillment, to the satisfaction of FINOVA and its counsel, of each of the following conditions, in addition to the conditions set forth in Section 4.2 above:

(a) Minimum Excess Availability (Section 4.2(b)). Not less than \$500,000.

(b) Lease and Landlord's Consent (Section 4.2(i)). Locations: (i) 1211 N. Westshore Boulevard, Tampa, Florida 33607, and (ii) HQ Deerwood Park, 10151 Deerwood Park Boulevard, Office #71, Jacksonville, Florida 32256.

(c) No Material Adverse Change (Section 4.2(o)). Further, no material adverse change has occurred in the Borrower's business, operations, financial condition, or assets or in the prospect of repayment of the Obligations since September 30, 1998.

(d) Transaction Costs (Section 4.2(s)). Not to exceed \$1,200,000 exclusive of any payments made in the form of Borrowers' stock, of which amount no more than \$750,000 will be in reimbursement of shareholders' expenses under the Merger Documents.

Borrowers shall cause the conditions precedent set forth in Section 4.2 of this Agreement to be satisfied, and shall provide evidence to FINOVA that all such conditions precedent have been satisfied, on or before the Amendment Closing Date.

BORROWER INFORMATION:

Borrowers' States of Incorporation (Section 5.1):

BORROWER -----	STATE -----
Digital Solutions, Inc. ....	New Jersey
DSI Contract Staffing, Inc. ....	New York
DSI Staff ConnXions Northeast, Inc. ....	New Jersey
DSI Staff ConnXions-Southwest, Inc. ....	Texas
DSI Staff Rx, Inc. ....	Texas
The Teamstaff Companies, Inc. ....	Florida
Teamstaff Inc. ....	Florida
Teamstaff II, Inc. ....	Florida
Teamstaff III, Inc. ....	Florida
Teamstaff IV, Inc. ....	Florida
Teamstaff V, Inc. ....	Florida
Teamstaff U.S.A., Inc. ....	Florida
Teamstaff Insurance Services, Inc. ....	Florida
Teamstaff Holding Company, Inc. ....	Florida
Employer Support Services, Inc. ....	Florida

BORROWER'S COPYRIGHTS, PATENTS TRADEMARKS, AND LICENSES (SECTION 5.5): None

FICTITIOUS NAMES/PRIOR CORPORATE NAMES (SECTION 5.2):

BORROWER -----	FICTITIOUS NAME -----
DSI Staff ConnXions-Southwest, Inc. ....	Turnkey Services, Inc.
DSI Staff ConnXions Northeast, Inc. ....	Temp Staff, Inc.
DSI Contract Staffing, Inc. ....	X-L Technical, Inc.
DSI Staff Rx, Inc. ....	Healthmark

BORROWER -----	PRIOR CORPORATE NAMES -----
DSI Staff ConnXions-Southwest, Inc. ....	- Turnkey Services, Inc. - The Alternative Source - M & B Staff management, Inc.
DSI Staff Rx, Inc. ....	- MLB Medical Staffing, Inc. - Physicians Services - Staff Rx, Inc.
The Teamstaff Companies, Inc. ....	- Teamstaff, Inc.
Teamstaff, Inc. ....	- TSC Human Resources of Florida, Inc. f/k/a Tampa Bay Consulting, Inc.
Teamstaff U.S.A., Inc. ....	- Team Employment Systems, Inc.
Teamstaff Insurance Services, Inc. ....	- Team Staffing, Inc.

## BORROWERS' LOCATIONS (SECTION 5.16)

BORROWER - - - - -	ADDRESS - - - - -
Digital Solutions, Inc.	300 Atrium Drive, Somerset, NJ 08873
DSI Contract Staffing, Inc.	245 Fifth Avenue, Suite 1003 New York, NY 10016
DSI Staff ConnXions Northeast, Inc.	300 Atrium Drive, Somerset, NJ 08873
DSI Staff ConnXions-Southwest, Inc.	2 Northpoint Drive, Suite 110 Houston, TX 77060
	4050 Riobravo, Suite 151 El Paso, TX 79902
DSI Staff Rx, Inc.	2 Northpoint Drive, Suite 110 Houston, TX 77060
	601 Cleveland Street Clearwater, FL 34615
The Teamstaff Companies, Inc.	1211 N. Westshore Blvd., Suite 806 Tampa, FL 33607
Teamstaff, Inc.	1211 N. Westshore Blvd., Suite 806 Tampa, FL 33607
Teamstaff II, Inc.	1211 N. Westshore Blvd., Suite 806 Tampa, FL 33607
	10151 Deerwood Park Blvd. Building 300, Suite 150 Jacksonville, FL 32256
Teamstaff III, Inc.	1211 N. Westshore Blvd., Suite 806 Tampa, FL 33607
Teamstaff IV, Inc.	1211 N. Westshore Blvd., Suite 806 Tampa, FL 33607
Teamstaff V, Inc.	1211 N. Westshore Blvd., Suite 806 Tampa, FL 33607
Teamstaff U.S.A., Inc.	1211 N. Westshore Blvd., Suite 806 Tampa, FL 33607
Teamstaff Insurance Services, Inc.	1211 N. Westshore Blvd., Suite 806 Tampa, FL 33607
Teamstaff Holding Company, Inc.	1211 N. Westshore Blvd., Suite 806 Tampa, FL 33607
Employer Support Services, Inc.	1211 N. Westshore Blvd., Suite 806 Tampa, FL 33607

## BORROWERS' FEDERAL TAX IDENTIFICATION NUMBERS (SECTION 5.16):

BORROWER	F.T.I.N.
Digital Solutions, Inc.	22-1899798
DSI Staff ConnXions-Southwest, Inc.	76-0422152
DSI Staff ConnXions Northeast, Inc.	22-3405060
DSI Contract Staffing, Inc.	13-2878077
DSI Staff Rx, Inc.	76-0451040
The Teamstaff Companies, Inc.	59-2988438
Teamstaff, Inc.	59-3067619
Teamstaff II, Inc.	59-3277121
Teamstaff III, Inc.	59-3277124
Teamstaff IV, Inc.	59-3277126
Teamstaff V, Inc.	59-3277127
Teamstaff U.S.A., Inc.	59-2988440
Teamstaff Insurance Services, Inc.	59-2988436
Teamstaff Holding Company, Inc.	59-3236075
Employer Support Services, Inc.	59-2988443

## PERMITTED ENCUMBRANCES (SECTION 1.1): The following Capital Leases:

## DIGITAL SOLUTIONS, INC.:

LESSOR	LEASED PROPERTY	MATURITY DATE
IBM Credit Corporation, Lease #1	Computers & Printers	05/29/2000
IBM Credit Corporation, Lease #2	Computers & Printers	05/29/2000
IBM Credit Corporation, Lease #3	Computers & Printers	05/29/2000

## DSI STAFF RX, INC.:

LESSOR	LEASED PROPERTY	MATURITY DATE
Monex Leasing	Phone Equipment	06/01/2000
Republic Leasing (Clearwater)	Furniture	05/01/2001

## THE TEAMSTAFF COMPANIES, INC.:

LESSOR	LEASED PROPERTY	MATURITY DATE
Key Credit Corp.	Computer Equipment	08/15/1999

EXISTING INDEBTEDNESS (SECTION 6.2.11): Indebtedness for Borrowed Money represented by the Capital Leases listed above under Permitted Encumbrances, in an aggregate principal amount not to exceed at any time \$141,000 less scheduled payments thereon in accordance with the terms thereof as of the Closing Date.

FINANCIAL COVENANTS (SECTION 6.1.13):

Borrowers shall comply with all of the following covenants. Compliance shall be determined as of the end of each month, except as otherwise specifically provided below:

Debt to Net Worth. DSI and its subsidiaries shall maintain at the end of each month in each period set forth below a ratio of Indebtedness for Borrowed Money to Net Worth of not greater than the ratio set forth opposite such period below:

Period	Ratio
Closing Date - February 28, 1999	1.5 to 1.0
March 1, 1999 - February 29, 2000	1.0 to 1.0
March 1, 2000 - February 28, 2001	0.75 to 1.0
March 1, 2001 and thereafter	0.5 to 1.0

Net Worth. DSI and its subsidiaries shall maintain as to each date set forth below Net Worth of not less than the amount set forth opposite such date below:

Measurement Date	Amount
June 30, 1998	\$5,500,000
September 30, 1998	\$5,650,000
December 31, 1998	\$5,800,000
March 31, 1999	\$14,000,000
June 30, 1999	\$14,500,000
September 30, 1999	\$15,000,000
December 31, 1999	\$15,500,000
March 31, 2000	\$16,000,000
June 30, 2000	\$16,500,000
September 30, 2000	\$17,000,000
December 31, 2000	\$17,500,000
March 31, 2001	\$18,000,000
June 30, 2001	\$18,500,000
September 30, 2001	\$19,000,000
December 31, 2001	\$19,500,000
March 31, 2002	\$20,000,000

Debt Service Coverage Ratio As of the last day of each fiscal quarter ending on  
 ----- each December 31, March 31, June 30, and September  
 30, the ratio of Operating Cash Flow/Actual for  
 the consecutive 12-month period ending as of such  
 last day to Total Contractual Debt Service for such  
 12-month period must be not less than the ratio set  
 forth below for such period:

Measurement Date	Ratio
-----	-----
June 30, 1998	1.3 to 1.0
September 30, 1998	1.3 to 1.0
December 31, 1998	1.3 to 1.0
March 31, 1999	1.3 to 1.0
June 30, 1999	1.3 to 1.0
September 30, 1999	1.3 to 1.0
December 31, 1999	1.3 to 1.0
March 31, 2000	1.4 to 1.0
June 30, 2000	1.4 to 1.0
September 30, 2000	1.4 to 1.0
December 31, 2000	1.4 to 1.0
March 31, 2001	1.5 to 1.0
June 30, 2001	1.5 to 1.0
September 30, 2001	1.5 to 1.0
December 31, 2001	1.5 to 1.0
March 31, 2002	1.5 to 1.0

provided however, that, with respect to the  
 calculations set forth herein for the period from  
 the Closing Date through March 31, 1999, Operating  
 Cash Flow/Actual and Total Contractual Debt Service  
 shall be determined beginning as of May 1, 1998  
 (the "START DATE") and be measured as follows: (w)  
 the time period from the Start Date through June  
 30, 1998, shall be for such amounts for such  
 period, (x) the time period from the Start Date  
 through September 30, 1998, shall be for such  
 amounts for such period, and (y) the time period  
 from the Start Date through December 31, 1998,  
 shall be for such amounts for such period; and (2)  
 the time period from the Start Date through March  
 31, 1999 shall be for amounts for such period; and,  
 provided further, that all such determinations  
 shall be made on a consolidated basis.

NEGATIVE COVENANTS (SECTION 6.2):

Employee Advances: Borrowers shall not make any loans or advances to  
 ----- Employees except (i) in the ordinary course of  
 business and consistent with past practices of  
 Borrower in an aggregate amount not exceeding at  
 any time \$10,000 and (ii) loans to

employees to finance the exercise of options to purchase DSI's common stock issued pursuant to employee stock option plans, so long as all of the proceeds of such loans are applied to pay to DSI the exercise price of such options and the loans are secured by the stock so purchased.

Capital Expenditures: No Borrower shall make or incur any Capital Expenditure if, after giving effect thereto, the aggregate amount of all Capital Expenditures by Borrowers in any fiscal year (beginning with the 1998 fiscal year) would exceed \$300,000.

Indebtedness: Borrowers shall not create, incur, assume or permit to exist any Indebtedness for Borrowed Money (including Indebtedness for Borrowed Money in connection with Capital Leases) in excess of \$250,000 other than the Indebtedness permitted by Section 6.2.11.

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REPORTING REQUIREMENTS (SECTION 9.1):

1. DSI shall provide FINOVA with Borrowers' monthly agings aged by invoice date and reconciliations of Receivables within ten (10) days after the end of each month.
2. DSI shall provide FINOVA with Borrowers' monthly accounts payable agings aged by invoice date and outstanding or held check registers within ten (10) days after the end of each month.
3. DSI shall provide FINOVA with monthly unaudited financial statements for DSI and its subsidiaries within thirty (30) days after the end of each month.
4. DSI shall provide FINOVA with audited consolidated financial statements of DSI and its subsidiaries within ninety (90) days after the end of each fiscal year, as more specifically described in Section 9.1(b) hereof, and with an opinion issued by a Certified Public Accountant which is acceptable to FINOVA.
5. DSI shall provide FINOVA with Borrowers' annual operating budgets (including income statements, balance sheets and cash flow statements, by month) for the upcoming fiscal year of Borrowers prior to the end of each fiscal year of Borrowers.
6. Borrowers' balance sheets for purposes of the definition of Prepared Financials shall be as of September 30, 1998.

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TERM (SECTION 9.2):

The initial term of this Agreement shall end on January , 2002 (the "INITIAL TERM" and shall be renewed for successive periods of one (1) year each (each a "RENEWAL TERM") at the sole discretion of FINOVA, unless earlier terminated as provided in Section 7 or 9.2 above or elsewhere in this Agreement.

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TERMINATION FEE (SECTION 9.2):

(A) Revolving Credit Loans Facility. The Termination Fee applicable to the Revolving Credit Loans facility provided for in Section 9.2(d) shall be an amount equal to the following percentage of the Revolving Credit Limit:

(i) three percent (3%), if such early termination occurs during the period from the Amendment Closing Date through January 25, 2000;

(ii) one percent (1%), if such early termination occurs during the period from January 25, 2000 through January 24, 2001; and

(iii) zero, if such early termination occurs after January 24, 2001.

(B) Term Loan A. The Termination Fees applicable to any prepayment in whole or in part of Term Loan A shall be an amount equal to:

(i) three percent (3%) of the amount prepaid if such prepayment is made during the period from April 28, 1998 through April 27, 1999;

(ii) one percent (1%) of the amount prepaid if such prepayment is made during the period from April 28, 1999 through April 27, 2000; and

(iii) zero, if such prepayment is made after April 27, 2000; provided, however, that such Termination Fee shall not be payable in the event of a prepayment of less than all of Term Loan A which is made with internally generated cash from operations.

(C) Term Loan B. The Termination Fee applicable to any prepayment in whole or in part of Term Loan B shall be an amount equal to:

(i) three percent (3%) of the amount prepaid if such prepayment is made during the period from the Amendment Closing Date through January 24, 2000;

(ii) one percent (1%) of the amount prepaid if such prepayment is made during the period from January 25, 2000 through January 24, 2001; and

(iii) zero, if such prepayment is made after January 24, 2001;

provided, however, that such Termination Fee shall not be payable in the event of a prepayment of less than all of Term Loan B which is made with internally generated cash from operations.

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DISBURSEMENT (SECTION 9.11):

Unless and until a Borrower otherwise directs FINOVA in writing, all loans shall be wired to Borrowers' following operating account:

Summit Bank  
Somerset, NJ  
ABA #: 021202162  
For Accounts of Digital Solutions, Inc.  
Account No.: 967703980  
Notify: Donald T. Kelly

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ADDITIONAL PROVISIONS:

1. Excess Cash Flow Prepayments. Within sixty (60) days following receipt by FINOVA of the annual audited financial statements of DSI and its subsidiaries, commencing with such financial statements for the fiscal year ending September 30, 1998, FINOVA may deliver a notice to Borrowers requiring Borrowers jointly and severally to prepay a Term Loan in an amount up to the lesser of fifty percent (50%) of Borrower's Excess Cash Flow for such year or the amount by which the Borrowers' average daily Excess Availability for the thirty (30) days preceding the date of FINOVA's notice exceeded \$750,000. Any prepayments required under this section are strictly at the sole option of FINOVA, and are payable with thirty (30) days following the date of demand by FINOVA. All amounts paid pursuant to this section shall be applied to the principal installments of the Term Loans pro rata in the inverse order of maturity. No Termination Fee shall be applied to any payments made under this Section.

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[Signatures Follow]

BORROWERS:

- - - - -

DIGITAL SOLUTIONS, INC., a New Jersey corporation  
Fed. Tax ID #: 22-1899798

By: \_\_\_\_\_  
Name:  
Title:

DSI CONTRACT STAFFING, INC., a New York corporation  
Fed. Tax ID #: 13-2878077

By: \_\_\_\_\_  
Name:  
Title:

DSI STAFF CONNXIONS NORTHEAST, INC., a New Jersey corporation  
Fed. Tax ID #: 22-3405060

By: \_\_\_\_\_  
Name:  
Title:

DSI STAFF Rx, INC., a Texas corporation  
Fed. Tax ID #: 76-0451040

By: \_\_\_\_\_  
Name:  
Title:

DSI STAFF CONNXIONS-SOUTHWEST, INC., a Texas corporation  
Fed. Tax ID #: 76-0422152

By: \_\_\_\_\_  
Name:  
Title:

[Amended and Restated Schedule to Loan Agreement]

THE TEAMSTAFF COMPANIES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988438

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF, INC., a Florida corporation  
Fed. Tax ID #: 59-3067619

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF II, INC., a Florida corporation  
Fed. Tax ID #: 59-3277121

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF III, INC., a Florida corporation  
Fed. Tax ID #: 59-3277124

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF IV, INC., a Florida corporation  
Fed. Tax ID #: 59-3277126

By: \_\_\_\_\_  
Name:  
Title:

[AMENDED AND RESTATED SCHEDULE TO LOAN AGREEMENT]

TEAMSTAFF V, INC., a Florida corporation  
Fed. Tax ID #: 59-3277127

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF U.S.A., INC., a Florida corporation  
Fed. Tax ID #: 59-2988440

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF INSURANCE SERVICES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988436

By: \_\_\_\_\_  
Name:  
Title:

TEAMSTAFF HOLDING COMPANY, INC., a Florida corporation  
Fed. Tax ID #: 59-3236075

By: \_\_\_\_\_  
Name:  
Title:

EMPLOYER SUPPORT SERVICES, INC., a Florida corporation  
Fed. Tax ID #: 59-2988443

By: \_\_\_\_\_  
Name:  
Title:

[AMENDED AND RESTATED SCHEDULE TO LOAN AGREEMENT]

LENDER:

FINOVA CAPITAL CORPORATION

By:

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Name: Ilene Gerber

Title: Vice President

[AMENDED AND RESTATED SCHEDULE TO LOAN AGREEMENT]