

SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant [X]  
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Check the appropriate box:

- [ ] Preliminary Proxy Statement  
[ ] Confidential, for Use of the  
Commission Only (as permitted by  
Rule 14a-6(e)(2))  
[X] Definitive Proxy Statement  
[ ] Definitive Additional Materials  
[ ] Soliciting Material Pursuant to (S) 240.14a-11(c) or (S) 204.14a-12

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CMG INFORMATION SERVICES, INC.  
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(Name of Registrant as Specified In Its Charter)

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CMG INFORMATION SERVICES, INC.  
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(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

- [ ] No Fee Required.  
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1) Title of each class of Securities to which transaction applies:  
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- 2) Aggregate number of securities to which transaction applies:  
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- 3) Per unit price or other underlying value of transaction computed  
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- 1) Amount Previously Paid:  
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- 2) Form, Schedule or Registration Statement No.:  
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- 3) Filing Party:  
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- 4) Date Filed:  
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CMG INFORMATION SERVICES, INC.  
100 Brickstone Square, First Floor  
Andover, Massachusetts 01810

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October 28, 1996

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of CMG Information Services, Inc. which will be held at the Andover Marriott, 123 Old River Road, Andover, Massachusetts, on Tuesday, December 10, 1996, at 9:30 a.m. I look forward to greeting as many of our stockholders as possible.

Details of the business to be conducted at the annual meeting are given in the attached Notice of Annual Meeting and Proxy Statement.

Whether or not you attend, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to sign, date and promptly return the enclosed proxy in the enclosed envelope so that your shares will be represented at the meeting. If you so desire, you may withdraw your proxy and vote in person at the meeting.

We look forward to meeting those of you who will be able to attend.

Sincerely,

/s/ David S. Wetherell

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David S. Wetherell  
Chairman and Chief Executive Officer

CMG INFORMATION SERVICES, INC.

100 Brickstone Square  
First Floor  
Andover, Massachusetts 01810

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD TUESDAY, DECEMBER 10, 1996

To the Stockholders of CMG INFORMATION SERVICES, INC.:

NOTICE IS HEREBY GIVEN that the 1996 Annual Meeting of Stockholders (the "Meeting") of CMG Information Services, Inc., a Delaware corporation (the "Company"), will be held at the Andover Marriott, 123 Old River Road, Andover, Massachusetts, on Tuesday, December 10, 1996, at 9:30 a.m. local time, for the following purposes:

1. To elect one Class III Director to serve until the 1999 Annual Meeting of Stockholders or until a successor is elected and qualified.
2. To approve an amendment to the Company's 1986 Stock Option Plan to permit any individual to be eligible to receive options under such plan.
3. To ratify the appointment of KPMG Peat Marwick as the Company's independent accountants for the current fiscal year.
4. To transact such other business as may properly come before the Meeting or any adjournments or postponements thereof.

Only stockholders of record at the close of business on Tuesday, October 22, 1996 will be entitled to notice of and to vote at the Meeting and any adjournments or postponements thereof.

By Order of the Board of Directors

/s/ David S. Wetherell

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David S. Wetherell, Secretary

October 28, 1996

All stockholders are cordially invited to attend the Meeting. To ensure your representation at the Meeting, you are urged to mark, sign, and return the enclosed proxy card in the accompanying envelope, whether or not you expect to attend the Meeting. No postage is required if mailed in the United States. Any stockholder attending the Meeting may vote in person even if that stockholder has returned a proxy.

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YOUR VOTE IS IMPORTANT  
TO VOTE YOUR SHARES, PLEASE SIGN, DATE AND COMPLETE THE  
ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE  
ENCLOSED RETURN ENVELOPE.  
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PROXY STATEMENT  
OF  
CMG INFORMATION SERVICES, INC.

GENERAL

This Proxy Statement and the accompanying Notice of Annual Meeting of Stockholders are being solicited by the Board of Directors of CMG Information Services, Inc. (the "Company") for use at the 1996 Annual Meeting of Stockholders (the "Meeting") to be held at the Andover Marriott, 123 Old River Road, Andover, Massachusetts, on Tuesday, December 10, 1996, at 9:30 a.m. local time, or at any adjournment or postponement of the Meeting, for the purposes set forth in this Proxy Statement and the foregoing Notice of Annual Meeting of Stockholders. This Proxy Statement and accompanying proxy card are being mailed on or about October 31, 1996, to all stockholders entitled to notice of and to vote at the Meeting. The principal executive office of CMG Information Services, Inc. is located at 100 Brickstone Square, First Floor, Andover, Massachusetts and the Company's telephone number is (508) 684-3600.

SOLICITATION

The cost of solicitation of proxies, including expenses in connection with preparing and mailing this Proxy Statement will be borne by the Company. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries, and custodians to forward to beneficial owners of Common Stock of the Company (the "Common Stock") held in their names. In addition, the Company will reimburse brokerage firms and other persons representing beneficial owners of stock for their expenses in forwarding solicitation material to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram, and personal solicitation by Directors, officers and other regular employees of the Company. No additional compensation will be paid to Directors, officers or other regular employees for such services.

RECORD DATE, VOTING RIGHTS AND OUTSTANDING SHARES

Only holders of record at the close of business on Tuesday, October 22, 1996, will be entitled to notice of, and to vote at, the Meeting. As of October 22, 1996, the Company had outstanding 9,174,990 shares of Common Stock. Each share of Common Stock has one vote on each proposal that will come before the Meeting. A majority of the outstanding shares of Common Stock will constitute a quorum at the Meeting. Votes withheld, abstentions and broker non-votes (where a broker or nominee does not exercise discretionary authority to vote on a matter) are counted for purposes of determining the presence or absence of a quorum for the transaction of business, but will not be counted in tabulations of votes cast on proposals presented to stockholders.

REVOCABILITY OF PROXY AND VOTING OF SHARES

Any stockholder giving a proxy has the power to revoke it at any time before it is exercised. It may be revoked by filing with the Corporate Secretary of the Company, at the principal executive offices of the Company, 100 Brickstone Square, First Floor, Andover, Massachusetts, an instrument of revocation or a duly executed proxy bearing a later date. It may also be revoked by attendance at the Meeting and an election given to the Corporate Secretary to vote in person. If not revoked the proxy will be voted at the Meeting in accordance with the stockholder's instructions indicated on the Proxy Card. If no instructions are indicated the proxy will be voted (I) FOR the election of the Class III Director described herein, (II) FOR the amendment to the Company's 1986 Stock Option Plan described herein, (III) FOR the ratification of the appointment of KPMG Peat Marwick as the Company's independent accountants for the current fiscal year, and (IV) in accordance with the judgment of the

proxies as to any other matter that may be properly brought before the Meeting or any adjournments or postponements thereof.

STOCKHOLDER PROPOSALS

Proposals of stockholders of the Company that are intended to be presented by such stockholders at the Company's 1997 Annual Meeting of Stockholders must be received by the Corporate Secretary of the Company no later than June 30, 1997 in order to be included in the Proxy Statement and form of proxy relating to that meeting.

SECURITY OWNERSHIP BY MANAGEMENT AND PRINCIPAL STOCKHOLDERS

All share amounts referred to in this Proxy Statement have been adjusted to reflect a 2.6 for one stock split, a three for two stock split, and a two for one stock split, effected on November 9, 1993, March 17, 1995 and February 2, 1996, respectively. The following table sets forth certain information with respect to beneficial ownership of the Company's shares of Common Stock as of October 22, 1996, (I) by each person (or group of affiliated persons) who is known by the Company to own beneficially more than five percent of the Company's outstanding shares of Common Stock; (II) by each of the Company's Directors; (III) by each of the Company's executive officers named in the Summary Compensation Table (the "Named Executive Officers"), and (IV) by all current Directors and executive officers as a group. Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

BENEFICIAL OWNER -----	NUMBER SHARES BENEFICIALLY OWNED (1) -----	PERCENT -----
David S. Wetherell (2)	2,256,682	24.2%
FMR Corp. (3)	977,000	10.7
Putnam Investments, Inc. (4)	970,100	10.6
Gregory M. Avis (5)	18,800	*
John A. McMullen (6)	20,200	*
Mark D. Gagne	856	*
Hemang Dave	--	--
Richard F. Torre (7)	8,415	*
Andrew J. Hajducky III (8)	12,126	*
All Current Directors and Executive Officers as a Group (6 persons)	2,316,223	24.7

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\* Less than one percent

(1) Beneficial ownership of Common Stock is determined in accordance with the rules of the Securities and Exchange Commission, and includes the holding of sole or shared voting or investment power with respect to shares of Common Stock. Shares of Common Stock subject to options currently exercisable or which become exercisable on or before December 21, 1996 are deemed to be beneficially owned and outstanding for purposes of computing the percentage of the person holding such options, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.

- (2) Includes 150,000 shares issuable upon the exercise of outstanding options that are exercisable prior to December 21, 1996. Includes 111,600 shares held in trust for the benefit of Mr. Wetherell's minor children. Mr. Wetherell disclaims beneficial ownership as to such shares.
- (3) Based on the information provided on the Amendment No. 3 to the Schedule 13G filed by FMR Corp. with the Securities and Exchange Commission on February 14, 1996. FMR Corp. has sole dispositive power with respect to such shares, and sole power to vote 726,800 of such shares. Fidelity Management Trust Company, a wholly-owned subsidiary of FMR Corp. and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 691,200 shares of Common Stock as a result of its serving as investment manager of the institutional accounts.
- (4) Based on the information provided on the Schedule 13G filed by Putnam Investments, Inc. and its affiliates with the Securities and Exchange Commission on February 9, 1996. Includes 867,300 shares and 102,800 shares which are beneficially owned by Putnam Investment Management, Inc. and The Putnam Advisory Company, Inc. All beneficial owners of such shares have shared power dispose or direct the disposition of such shares.
- (5) Consists of shares issuable upon the exercise of outstanding options that are exercisable prior to December 21, 1996.
- (6) Includes 18,800 shares issuable upon the exercise of outstanding options that are exercisable prior to December 21, 1996.
- (7) Includes 5,650 shares issuable upon the exercise of outstanding options that are exercisable prior to December 21, 1996 and 1,500 shares held in trust for the benefit of Mr. Torre's minor children.
- (8) Includes 12,000 shares issuable upon the exercise of outstanding options that are exercisable prior to December 21, 1996.

PROPOSAL 1  
ELECTION OF DIRECTORS

The Board is divided into three classes. One class of Directors is elected each year for a three-year term. The term of the Company's Class III Director will expire at this Meeting. The nominee for the Class III Director is David S. Wetherell. The Class III Director elected in 1996 will serve for a term of three years which will expire at the Company's 1999 Annual Meeting of Stockholders or when his successor is elected and qualified. It is intended that the persons named as Proxies will vote for David S. Wetherell for election to the Board as a Class III Director.

David S. Wetherell presently serves as a Class III Director of the Company and is available for re-election as a Class III Director. The affirmative vote of the holders of a plurality of the Common Stock represented and voting at the Meeting will be required to elect David S. Wetherell to the Board. If he is elected as a Director at the Meeting, the Board will consist of a total of three Directors, two of whom have principal occupations outside the Company and one of whom is the Chief Executive Officer of the Company.

MANAGEMENT RECOMMENDS A VOTE IN FAVOR OF THE NAMED NOMINEE

BIOGRAPHICAL INFORMATION

Biographical and certain other information concerning the Directors of the Company is set forth below:

NOMINEE FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE 1999 ANNUAL MEETING

DAVID S. WETHERELL, age 42. David S. Wetherell has served as Chairman of the Board, President, Chief Executive Officer and Secretary of the Company since 1986. He has served as Chairman of the Board, Chief Executive Officer and Clerk of SalesLink Corporation, a subsidiary of the Company ("SalesLink"), since it was formed in 1990. He also served as Chief Executive officer of HMA Group, Inc., a subsidiary of the Company, from May 1989 until April 1991. From 1982 until joining the Company in 1986, Mr. Wetherell was a co-founder and President of Softrend, Inc., a microcomputer software publisher.

DIRECTOR CONTINUING IN OFFICE UNTIL THE 1997 ANNUAL MEETING

GREGORY M. AVIS, age 38. Gregory M. Avis has served as a Director of the Company since 1986. Since 1987 Mr. Avis has been a General Partner of affiliates of Summit Ventures, L.P., SV Eurofund C.V. and Summit Investors, L.P. and is currently Managing Partner of Summit Partners (collectively, the "Summit Funds"), which are in the private equity investment business. Mr. Avis is also a director of Digital Link Corp.

DIRECTOR CONTINUING IN OFFICE UNTIL THE 1998 ANNUAL MEETING

JOHN A. MCMULLEN, age 54. John A. McMullen has served as a Director of the Company since 1986. Mr. McMullen was a founder and has been a Managing Principal of Cambridge Meridian Group, Inc., a management consulting firm, since 1984.

BOARD COMMITTEES AND MEETINGS

During the fiscal year ended July 31, 1996, the Board of Directors held five meetings. The Board has two committees: an Audit Committee and a Compensation Committee. There is no Nominating Committee or any committee performing the functions of a nominating committee.

The Audit Committee recommends to the Board each fiscal year the independent public accountants who will audit the books of the Company for that year. The independent public accountants meet with the Audit

Committee with and without the presence of the Company's management to review and discuss various matters pertaining to the audit including the Company's financial statements, the report of the independent public accountants on the results, scope and terms of their work, and their recommendations concerning the financial practices, controls, procedures and policies employed by the Company. The Audit Committee consists of Messrs. Avis and McMullen, neither of whom is an employee or consultant of the Company. Mr. Avis serves as Chairman of the Audit Committee. The Audit Committee met once during the last fiscal year.

The Compensation Committee administers the Company's 1986 stock option plan and 1995 employee stock purchase plan, as well as the Company's short-term and long-term cash incentive plans, and performance-based stock options. The Compensation Committee approves salaries, bonuses and other compensation arrangements and policies for the Company's officers, and approves loans to, or loan guarantees for, the Company's officers and employees. The Compensation Committee consists of Messrs. Avis and McMullen, neither of whom is an employee or consultant of the Company. Mr. McMullen serves as Chairman of the Compensation Committee. The Compensation Committee met two times during the last fiscal year.

Each incumbent Board member attended all of the meetings of the Board which such Director was eligible to attend during the fiscal year ended July 31, 1996. Each incumbent Board member attended all of the meetings held by any committee of the Board upon which such Director served.

## PROPOSAL 2

### AMENDMENT OF 1986 STOCK OPTION PLAN

A proposal will be presented at the meeting that the Stockholders approve an amendment to the Company's 1986 Stock Option Plan (the "Plan") to permit any individual to be eligible to receive options under the Plan. Approval of the amendment to the Plan will require the affirmative vote by the holders of a majority of the shares of Common Stock present, or represented, and entitled to vote at the Meeting. Set forth below is a brief summary of the principal provisions of the Plan.

#### GENERAL

The purpose of the Plan is to provide incentives to key employees of the Company and its present and future subsidiaries by providing them with opportunities to purchase stock of the Company pursuant to the exercise of options. The Plan provides for the grant of stock options (incentive and nonstatutory) to key employees and consultants of the Company and its affiliates ("Eligible Persons").

Currently, Awards may be made under the Plan for up to 2,250,000 shares of Common Stock (which number is reduced by the number of shares issued pursuant to the Company's Employee Stock Purchase Plan), subject to adjustment for stock splits, stock dividends and certain transactions affecting the Company's capital stock.

As of October 22, 1996, approximately 569 employees were eligible to participate in the Plan. The closing price of the Company's Common Stock as reported by the Nasdaq National Market on October 22, 1996 was \$9 1/2 per share.

#### ADMINISTRATION

Awards under the Plan are granted at the discretion of the Compensation Committee which determines the recipients and establishes the terms and conditions of each award, including the exercise price, the form of payment of the exercise price, the number of shares subject to options and the time at which such options become exercisable. The exercise price of any incentive stock option or non-statutory stock option granted under the Plan may not be less than the fair market value of the Common Stock on the date of grant (or 110% of the fair market value in the case of an incentive stock option granted to a 10% stockholder of the Company).

As of October 22, 1996, options to purchase an aggregate of 1,002,988 shares of Common Stock were outstanding under the Plan. Of the foregoing, options to purchase an aggregate of 563,000 shares of Common Stock

had been granted to current executive officers and options to purchase an aggregate of 439,988 shares of Common Stock had been granted to all other employees. After taking into account shares available as a result of cancellation of options granted under the Plan, 984,516 shares of Common Stock remain available for Awards under the Plan.

#### PROPOSED AMENDMENT TO THE PLAN

The Board of Directors has voted, subject to the approval of the stockholders, to amend the Plan to permit options to be granted to any individual for whom the Compensation Committee of the Board of Directors determines that it would be in the best interests of the Company to grant stock options.

The Company believes that the amendment to expand the eligibility under the Plan is necessary and appropriate in order to provide appropriate incentives to certain individuals who are not employees of the Company. Individuals such as consultants to the Company and officers of companies in which the Company or a subsidiary of the Company has made an investment may be in a position to affect the operating results and performance of the Company as a whole. The Board of Directors believes that the grant of options to purchase the Company's Common Stock to such individuals and others is, in certain instances, an effective way in which to provide incentives to such individuals to act in the best interest of the entire Company. Individuals who are not employees of the Company would be eligible to receive only nonstatutory options under the Plan.

#### FEDERAL INCOME TAX CONSEQUENCES RELATING TO STOCK OPTIONS

**Incentive Stock Options.** An optionee does not realize taxable income upon the grant or, except as described below, exercise of an incentive stock option ("ISO") under the Plan.

If no disposition of shares issued to an optionee pursuant to the exercise of an ISO is made by the optionee within two years from the date of grant or within one year from the date of exercise, then (a) upon sale of such shares, any amount realized in excess of the option price (the amount paid for the shares) is taxed to the optionee as long-term capital gain and any loss sustained will be a long-term capital loss and (b) no deduction is allowed to the Company for Federal income tax purposes. The exercise of ISOs gives rise to an adjustment in computing alternative minimum taxable income that may result in alternative minimum tax liability for the optionee.

If shares acquired upon the exercise of an ISO are disposed of prior to the expiration of the two-year and one-year holding periods described above (a "disqualifying disposition") then (a) the optionee realizes ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares at exercise (or, if less, the amount realized on a sale of such shares) over the option price thereof and (b) the Company is entitled to deduct such amount. Any further gain realized is taxed as a short-term or long-term capital gain and does not result in any deduction to the Company. A disqualifying disposition in the year of exercise will generally avoid the alternative minimum tax consequences of the exercise of an ISO.

**Nonstatutory Stock Options.** No income is realized by the optionee at the time a nonstatutory option is granted. Upon exercise, (a) ordinary income is realized by the optionee in an amount equal to the difference between the option price and the fair market value of the shares on the date of exercise and (b) the Company receives a tax deduction for the same amount. Upon disposition of the shares, appreciation or depreciation after the date of exercise is treated as a short-term or long-term capital gain or loss and will not result in any deduction by the Company.

#### APPROVAL

Stockholder approval of the proposed amendment is required under the terms of the Plan. The affirmative vote by the holders of a majority of the shares of Common Stock present, or represented, and entitled to vote at the meeting is required to approve the Plan. Broker non-votes will not be counted as present or represented for this purpose. Abstentions will be counted as present and entitled to vote and, accordingly, will have the effect of a negative vote.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE PROPOSED AMENDMENT TO THE PLAN.

PROPOSAL 3

APPOINTMENT OF AUDITORS

The Board of Directors of the Company has appointed KPMG Peat Marwick LLP, independent accountants, to audit the Company's consolidated financial statements for the fiscal year ending July 31, 1997, and recommends that stockholders vote for ratification of such appointment. A representative of KPMG Peat Marwick LLP will be present at the Meeting and will be available to respond to stockholders' questions and to make a statement if he or she desires to do so.

The affirmative vote of the holders of a majority of the Common Stock represented and voting at the Meeting will be required to ratify the selection of KPMG Peat Marwick LLP.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF PROPOSAL 3.

ADDITIONAL INFORMATION

MANAGEMENT

Officers are elected annually by the Board and serve at the discretion of the Board. Set forth below is information regarding the current executive officers of the Company who are not directors of the Company:

NAME - - - -	AGE - - -	POSITION - - - - - - - -
Andrew J. Hajducky III	42	Chief Financial Officer and Treasurer
Richard F. Torre	45	President and Chief Operating Officer, SalesLink
Hemang Dave	39	President, CMG Direct Interactive, Inc.

Andrew J. Hajducky III has served as Chief Financial Officer of the Company since October 1995. From 1990 until joining the Company, he was a partner with the public accounting firm of Ernst & Young LLP. From 1983 through 1990, he held various positions with Arthur Young & Co., which merged with Ernst & Whinney to form Ernst & Young LLP.

Richard F. Torre has served as President and Chief Operating Officer of SalesLink since 1990. From 1987 until joining the Company in 1990, Mr. Torre was manager of CPU Upgrades at Digital Equipment Corporation, a publicly held computer company.

Hemang Dave has served as President of CMG Direct Interactive, Inc. since February, 1996. Prior to joining the Company, Mr. Dave was a Vice President at Lotus Development Corp., responsible for managing the merger between Lotus and International Business Machines Corp. Prior to that, he was Vice President of Alliances at Lotus responsible for strategic alliances with over 30 companies worldwide, including alternate distribution channels under the Lotus Business Partner Program. Prior to joining Lotus, Mr. Dave held various positions with ComputerVision, Prime Computer and IBM.

COMPENSATION OF DIRECTORS

In 1995, the Company adopted a 1995 Stock Option Plan for Non-Employee Directors (the "Director Plan"). Under the terms of the Director Plan, each Director who (1)(i) was a Director of the Company when the Director Plan was first adopted by the Board of Directors; (ii) has completed at least five years of continuous service on the Board of Directors; (iii) is not otherwise an employee of the Company or any of its subsidiaries or affiliates; and

(iv) is not an affiliate (as defined in the Director Plan) of an institutional investor in the Company (an "Affiliated Director," and a director meeting all of the foregoing criteria referred to as a "Current Director") or (2)(i) is elected a Director of the Company for the first time either by the Board of Directors or by the stockholders after the 1995 Plan is first adopted by the Board of Directors or approved by the stockholders; (ii) is not otherwise an employee of the company or any of its subsidiaries or affiliates; and (iii) is not an Affiliated Director (a "new Director") was, or shall be, granted an option to purchase 47,000 shares of Common Stock upon the adoption of the Director Plan by the Board of Directors, in the case of a Current Director, or the election of the Director, in the case of a New Director. In addition, if a director who is an Affiliated Director, and is otherwise eligible to receive options under the Director Plan, ceases to be an Affiliated Director (that is, ceases to be an affiliate of an institutional investor in the Company), then such director shall be granted an option to purchase 47,000 shares of Common Stock upon ceasing to be an Affiliated Director. An aggregate of 282,000 shares of Common Stock (subject to adjustments for capital changes) has been reserved for issued under the Director Plan upon exercise of options.

Options are granted under the Director Plan at exercise prices equal to the fair market value of the Company's Common Stock at the time the options are granted. Fair market value is the last reported sales price per share of the Company's Common Stock on the date of grant as reported in the over-the-counter market. Options are exercisable in five cumulative installments of 9,400 shares each, the first installment becoming exercisable immediately after the first annual meeting of stockholders following the date of grant or commensurate with the date of grant if the optionee first becomes a director by vote of the stockholders and each further installment becoming exercisable immediately after each Annual Meeting of stockholders thereafter, provided that the option holder continues in office as a director at such time. No option may be exercisable more than ten years from its date of grant. Of the current members of the Board of Directors, Messrs. McMullen and Avis are eligible to participate in the Director Plan, and each received an option to purchase 47,000 shares of Common Stock under the Director Plan during fiscal 1995.

In addition to the foregoing, directors of the Company receive reimbursement of expenses incurred with respect to attendance at meetings of the Board and meetings of committees of the Board.

#### EXECUTIVE COMPENSATION

The following table provides certain summary information concerning compensation (including salary, bonuses, stock options, and certain other compensation) paid by the Company for services in all capacities for fiscal years ended July 31, 1996, 1995, and 1994, to its Chief Executive Officer and to each of its four other most highly compensated executive officers whose salary plus bonus exceeded \$100,000 in fiscal 1996 (all five being hereinafter referred to as the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS	ALL OTHER COMPENSATION (\$)(2)
		SALARY(\$)	BONUS (\$)	SECURITIES UNDERLYING OPTIONS(1)	
David S. Wetherell (3)	1996	180,250	75,000	--	1,502
Chairman, President and Chief Executive Officer	1995	180,250	175,000	150,000	3,383
Mark D. Gagne, CPA (4)	1996	168,550	96,411	300,000	4,588
President and Chief Executive Officer of CMG Direct Interactive	1996	58,182	--	--	68
Richard F. Torre	1995	91,331	50,000	15,000	2,552
President and Chief Operating Officer of SalesLink	1994	82,659	29,637	15,000	2,850
Hemang Dave (5)	1996	41,846	16,667	30,000	--
President of CMG Direct Interactive, Inc.	1996	128,947	96,400	2,000	2,579
Andrew J. Hajducky III (6)	1995	124,525	19,400	26,250	2,479
Chief Financial Officer and Treasurer	1994	117,611	28,535	--	2,171

(1) The Company's 1986 Stock Option Plan is administered by the Compensation Committee of the Board of Directors. The Committee granted stock options during fiscal 1996 which are reflected in this column. All stock options granted in fiscal 1996 were non-statutory (also called non-qualified) stock options as opposed to incentive stock options complying with Section 422 of the Internal Revenue Code, have an exercise price equal to fair market value on the date of grant, vest at a rate of 20% per year, and have terms varying from six to ten years. During fiscal 1994, Mr. Wetherell was awarded a non-qualified performance-based stock option under the Company's 1986 Stock Option Plan granting to Mr. Wetherell the right to purchase up to 300,000 shares of Common Stock of the Company at an option price of \$2.67 per share. The option becomes exercisable in ten annual installments of up to 30,000 shares each, beginning on November 1, 1994, and ending on November 1, 2003, but only if and to the extent that the Company meets certain performance goals as determined by the Compensation Committee in its sole discretion, and, in any event, the option becomes exercisable (to the extent not previously exercisable) as to the first 150,000 shares on November 1, 1998, and as to the second 150,000 shares on November 1, 2003, if Mr. Wetherell is employed by the Company as its President and Chief Executive Officer pursuant to his Employment Agreement on such dates. As of October 1, 1996, this option had vested with respect to 90,000 shares of Common Stock. See "Employment Agreement" below.

(2) Amounts set forth in this column represent Company cash contributions under the Company's 401(k) Plan and Company Common Stock contributions under the Company's Employee Stock and Profit Sharing Plan and Trust.

(3) In April 1995, the Company formed its internet investment and development arm, CMG@Ventures, L.P., a Delaware Limited Partnership ("CMG@Ventures"), and, through two wholly-owned subsidiaries, is committed to contribute up to \$35,000,000 to CMG@Ventures. The purpose of CMG@Ventures is to provide intellectual and financial capital to companies seeking to further the commercialization of the internet and other interactive media. Mr. Wetherell is a profit general partner (as defined) of CMG@Ventures, and, in that capacity, received a 6% carried interest (the "Interest") in the profits, losses, capital gains and capital losses of CMG@Ventures. Mr. Wetherell's Interest vests in forty quarterly installments of 3.75% of his Interest for each of the first 20 installments and 1.25% of his Interest for each of the next 20 installments. As of July 31, 1996, although CMG@Ventures had made several investments in portfolio companies, no amounts were distributed to any of its partners, including Mr. Wetherell.

(4) Mr. Gagne resigned as an officer of the Company effective January 2, 1996. The information shown in the table reflects the compensation earned by Mr. Gagne from July 31, 1995 through January 2, 1996.

(5) On February 26, 1996, Mr. Dave was elected as President of CMG Direct Interactive, Inc. Mr. Dave's annual base salary is \$120,000. The information shown in the table reflects the compensation earned by Mr. Dave from February 26, 1996 through July 31, 1996.

(6) On October 24, 1995, the Board of Directors elected Andrew J. Hajducky III as Chief Financial Officer and Treasurer of the Company. Mr. Hajducky's base salary is \$110,000. The information shown in the table reflects the compensation earned by Mr. Hajducky from October 24, 1995 through July 31, 1996.

#### STOCK OPTION GRANTS IN FISCAL YEAR 1996

The following table sets forth information concerning individual grants of options to purchase Common Stock (also reported in the Summary Compensation Table) under the 1986 Stock Option Plan made to each Named Executive Officer during the fiscal year ended July 31, 1996. Mr. Wetherell was not granted any options to purchase Common Stock in the last fiscal year.

Name	Number of Securities Underlying Options Granted(1)	Percentage of Total Options Granted to Employees in Fiscal 1996(2)	Exercise or Base Price (\$/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (3)	
					5%(\$)	10%(S)
Richard F. Torre President and Chief Operating Officer, SalesLink	2,000	0.9%	\$12.88	10/23/01	\$ 8,760	\$ 19,875
Andrew J. Hajducky III Chief Financial Officer and Treasurer	60,000	26.3%	\$10.13	10/8/01	\$ 206,710	\$ 468,955
Hemang Dave President of CMG Direct Interactive, Inc.	30,000	13.1%	\$29.63	1/30/02	\$ 302,311	\$ 685,841

(1) See footnote 1 to the Summary Compensation Table above.

(2) Options to purchase an aggregate of 228,456 shares were granted to all employees in fiscal 1996.

(3) Amounts reported in these columns represent amounts that may be realized upon exercise of the options immediately prior to the expiration of their term assuming the specified compounded rates of appreciation (5% and 10%) on the Company's Common Stock over the term of the options. These numbers are calculated based on rules promulgated by the Securities and Exchange Commission and do not reflect the Company's estimate of future stock price growth. Actual gains, if any, on stock option exercises and Common Stock holdings are dependent on the timing of such exercise and the future performance of the Company's Common Stock. There can be no assurance that the rates of appreciation assumed in this table can be achieved or

that the amounts reflected will be received by the option holder.

1996 AGGREGATED OPTION EXERCISES AND FISCAL YEAR END OPTION VALUES

Presented below is further information with respect to options exercised by each Named Executive Officer during fiscal 1996 and with respect to unexercised stock options to purchase the Company's Common Stock and held by each Named Executed Officer as of July 31, 1996.

Name	Shares Acquired on Exercise(#)	Value Realized\$(1)	Number of Securities Underlying Unexercised Options at July 31, 1996(#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at July 31, 1996(\$) Exercisable/ Unexercisable(2)
David S. Wetherell President, Chief Executive Officer and Secretary	11,000 223,000	508,274 6,419,827	90,000/360,000	\$1,169,970/\$4,679,880
Mark D. Gagne CPA President and Chief Executive Officer, CMG Direct Interactive	6,000 6,000 2,000 1,000 2,000 1,600 1,600 1,400	274,615 238,255 84,538 32,390 64,667 54,267 47,631 39,083	0/0	-/-
Richard F. Torre President and Chief Operating Officer, SalesLink	5,250	43,759	0/23,000	-\$265,243
Andrew J. Hajducky III Chief Financial Officer and Treasurer	--	--	0/60,000	-\$352,500
Hemang Dave President of CMG Direct Interactive, Inc.	--	--	0/30,000	-/0

- (1) Based on the difference between the option exercise price of such options and the closing price of the underlying common stock on the date of exercise.
- (2) Based on the difference between the option exercise price and the closing price of the underlying common stock on July 31, 1996, which closing price was \$16.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors (the "Committee") is composed of two independent, disinterested Directors who are not employees of the Company. The Committee regularly reviews and approves generally all compensation and fringe benefit programs of the Company and also reviews and determines the actual compensation of the Named Executive Officers, as well as all stock option grants, performance-based stock options and both long-term and short-term cash incentive awards to all key employees. All compensation actions taken by the Committee are reported to and approved by the full Board of Directors. The Committee also reviews and makes recommendations to the Board on policies and programs for the development of management personnel and management structure and organization. The Committee reviews and administers the Company's 1986 Stock Option Plan and the Company's 1995 Employee Stock Purchase Plan. The Committee regularly reviews Executive Compensation Reports prepared by independent organizations in order to evaluate the appropriateness of its Executive Compensation Program.

The Committee uses its base salary and incentive bonus program for the Named Executive Officers in order to enhance short-term profitability and stockholder value and uses stock options, performance-based stock options, and long-term cash incentive awards to enhance long-term growth in profitability, return on equity and stockholder value. In order to meet these objectives, the Committee first sets base salaries for the Named Executive Officers for each fiscal year based on a review of average base salaries among competitive peer groups and then sets target incentive bonus awards comprising varying percentages of total target compensation depending on the position being reviewed. The Committee reviews the Company's annual performance plan for the ensuing fiscal year and sets specific incentive target bonus awards which are directly linked to the short term financial performance of the Company as a whole. The Named Executive Officers of the Company then have an opportunity to earn a 25% payout of their individual target bonuses in each fiscal quarter provided that the Company meets or exceeds its performance plan for that quarter. These quarterly bonuses are prorated to the extent that the Company achieves a portion of its performance plan. If the full amount of the quarterly bonuses are not earned in an fiscal quarter, the Named Executive Officers have an opportunity to improve performance and thereby to earn retroactively the full amount of the target quarterly bonuses to the extent not earned in prior quarters. The annual performance plan is based on operating income before extraordinary gains and losses and before taxes. The Committee has complete discretionary authority to award full bonuses or special bonuses for special achievements.

In addition to salaries and incentive bonuses, the Committee also grants stock options to Named Executive Officers and other key employees of the Company and its subsidiaries in order to focus the efforts of these employees on the long-term enhancement of profitability and stockholder value. Options may be granted with respect to the common stock of the Company or of a subsidiary. In the past, the Committee has also granted a long-term cash incentive award to the President of SalesLink Corporation in order to focus his efforts on increasing earnings and stockholder value in SalesLink.

With respect to the Chief Executive Officer of the Company, the Compensation Committee has utilized a base salary and incentive bonus, with the bonus being based on individual performance with respect to each fiscal year. The Company has entered into an Employment Agreement with Mr. Wetherell and in connection therewith has issued to him a non-qualified performance stock option for the purchase of up to 300,000 shares of Common Stock of the Company. See "Employment Agreement." The Compensation Committee has also issued Mr. Wetherell other stock options which generally vest over a period of five years.

In order to participate in the rapidly developing business opportunities related to the Internet, the Company formed CMG@Ventures, L.P. as a captive venture capital fund competing with other funds to find and invest in these opportunities. CMG@Ventures had invested in eight Internet related companies as of July 31, 1996, and the Company actively participates in their management. Five of these companies are controlled by CMG@Ventures and hence by the Company. The Compensation Committee has granted Mr. Wetherell, who is a general partner of CMG@Ventures, a six percent (6%) interest in the net profits of CMG@Ventures in accordance with the practice in the venture capital industry.

The Committee believes that the foregoing combination of base salaries, incentive bonuses, stock options, performance-based stock options, tandem stock options and long-term cash incentives have helped develop a Senior Management Group dedicated to achieving significant improvement in both the short-term and long-term financial performance of the Company.

The foregoing report has been furnished by the two members of the Compensation Committee - Gregory M. Avis and John A. McMullen (Chairman).

STOCKHOLDER RETURN PERFORMANCE PRESENTATION

The graph below compares the cumulative total stockholder return of the Company's Common Stock from January 25, 1994 (the date of the Company's initial public offering) through July 31, 1996 against the cumulative total of the NASDAQ Stock Market Index and the NASDAQ Computer and Data Processing Services Index during the same period. Management cautions that the stock price performance shown in the graph below should not be considered indicative of potential future stock performance.

Comparison of Cumulative Total Return Among CMG Information Services, Inc., the NASDAQ Stock Market Index, and the NASDAQ Computer and Data Processing Services Index.

Company/Index Name	Base Date		Cumulative Return	
	January 25, 1994	July 31, 1994	July 31, 1995	July 31, 1996
CMG Information Services, Inc.	\$100.00	\$109.09	\$527.27	\$581.81
NASDAQ Stock Market Index	\$100.00	\$ 92.11	\$129.34	\$141.03
NASDAQ Computer and Data Processing Services Index	\$100.00	\$ 95.64	\$165.05	\$185.41

The graph shown above assumes that \$100 was invested in the Company's Common Stock and in each index on January 25, 1994. In addition, the total return for the Company's Common Stock and the indexes used assumes the reinvestment of dividends, even though dividends have not been declared on the Company's Common Stock.

EMPLOYMENT AGREEMENT

In November of 1993, the Company entered into an employment agreement with Mr. Wetherell, which runs through July 31, 1998, at a minimum annual salary which is currently at \$180,250. The agreement may be extended

for an additional five years by agreement of the parties. The agreement provides for annual incentive awards in amounts to be determined by the Compensation Committee and salary continuation for the shorter of two years or the entire length of the agreement in the event (i) Mr. Wetherell terminates his agreement following a change of control of the Company not approved by the Board of Directors and a change in a majority of the Directors, or (ii) Mr. Wetherell's employment is terminated involuntarily and not for cause; except that the two-year limit shall not apply in either event if the Company has achieved certain specified performance goals. (See "Severance and Change of Control Arrangements" below.) The minimum annual salary may be increased from time to time at the discretion of the Compensation Committee. The agreement contains non-competition covenants in favor of the Company. The agreement also contains a non-qualified performance stock option granting to Mr. Wetherell the right to purchase up to 300,000 shares of Common Stock of the Company at an option price of \$2.67 per share. This option was granted under the Company's 1986 Stock Option Plan. The option becomes exercisable in ten annual installments of up to 30,000 shares each, beginning on November 1, 1994, and ending on November 1, 2003, but only if and to the extent that the Company meets certain performance goals relating to (i) the return on stockholders' investment for each year and (ii) the percentage increase in earnings per share over the prior year. The option also becomes exercisable if and to the extent that the Company meets these performance goals on an average basis of (i) up to the prior three years, or (ii) for five years, and (iii) for an additional five years, if extended. In any event, the option becomes exercisable (to the extent not previously exercisable) as to the first 150,000 shares on November 1, 1998, and as to the second 150,000 shares on November 1, 2003.

#### INCENTIVE COMPENSATION AGREEMENT

The Company is a party to an Incentive Compensation Agreement with Richard F. Torre, President of SalesLink, pursuant to which Mr. Torre will receive incentive compensation in five equal annual installments in the years 1995 through 1999 equal to a percentage of the average adjusted earnings before tax of SalesLink for 1994 and 1995. Pursuant to the agreement, Mr. Torre will also receive incentive compensation in five equal annual installments in the years 2000 through 2004 equal to a percentage of the average adjusted earnings before tax of SalesLink for 1999 and 2000. Mr. Torre must be an employee of SalesLink or the Company in order to earn and receive incentive compensation, provided, however that Mr. Torre will receive all incentive compensation due under his agreement if his employment is terminated involuntarily and not for cause (a) following a change of control of the Company not approved by the Board of Directors and a change in a majority of the Directors, or (b) following Mr. Wetherell's ceasing to be Chief Executive Officer of the Company (See "Severance and Change of Control Arrangements" below.) The Company's obligation to pay incentive compensation is also dependent upon SalesLink maintaining its adjusted earnings before tax at certain levels. The Incentive Compensation Agreement between the Company and Mr. Torre does not constitute an employment agreement and contains non-competition covenants in favor of the Company.

#### SEVERANCE AND CHANGE OF CONTROL ARRANGEMENTS

The Company's employment agreement with Mr. Wetherell provides for certain benefits in the event of involuntary termination of his employment not for cause or in the event he terminates his employment following a change of control of the Company that is not approved by the Company's Board of Directors. In the event of a change of control of the Company not approved by the Board of Directors, followed by a change in a majority of the Directors, Mr. Wetherell would have the right to terminate his agreement and a percentage of all remaining installments of his 300,000 share stock option would become exercisable equal to the percentage of installments that had previously become exercisable. In the event of the involuntary termination of Mr. Wetherell's employment not for cause, a percentage of up to three remaining 30,000 share installments of his 300,000 share stock option would become exercisable, equal to the percentage of installments that had previously become exercisable.

Any compensation payable to Mr. Wetherell contingent on a change of control which qualifies as a parachute payment under Section 280G of the Internal Revenue Code of 1986, as amended, shall be limited to the maximum amount that may be paid to him without any part of all of such compensation being deemed an excess parachute payment under that Section. This maximum amount is determined by multiplying the average of Mr. Wetherell's base salary and bonus for the previous five years by three.

The Limited Partnership Agreement of CMG@Ventures provides that, upon a change of control (as defined),

each profit general partner, including Mr. Wetherell, may elect, within two months of the date of the change of control, to have CMG@Ventures repurchase all, and not less than all, of the interest in CMG@Ventures held by each profit general partner at the fair market value of such interest as determined by an independent appraisal pursuant to a procedure set forth in the Limited Partnership Agreement. A change of control is defined to mean, among other things, a change of control of the Company (i) which has not been approved by a majority of all of the members of the Board of Directors of the Company, or (ii) which has been approved by a majority of all the members of the Board of Directors of the Company but which has not been approved by a majority in interest of the profit general partners of CMG@Ventures and which is likely by its terms to have a material adverse effect upon the business and prospects of CMG@Ventures, and which change of control in either event is of a nature that would be required to be reported in response to Items 6(e) or 14(i), (iv) or (v) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provided that, in the case of a change of control reportable under Item 6(e), such change of control involves the acquisition by any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act, but expressly excluding Mr. Wetherell) of beneficial ownership, directly or indirectly, of securities or interests in the Company which represent more than 30% of the combined voting power of the Company's outstanding securities.

The Company's Incentive Compensation Agreement with Mr. Torre provides that he will receive all incentive compensation due him under that agreement in the event of involuntary termination of his employment not for cause (a) following a change in control of the Company that is not approved by the Board of Directors, or (b) following Mr. Wetherell's ceasing to be Chief Executive Officer of the Company. In such event, Mr. Torre would be entitled to receive incentive compensation under his Incentive Compensation Agreement through the year 2004 based upon the adjusted earnings before tax of SalesLink as provided above.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee are Gregory M. Avis and John A. McMullen. No member of the Compensation Committee has at any time been an officer or employee of the Company. No executive officer of the Company served as a member of the compensation committee or board of directors of any other entity which has an executive officer serving as a member of the Company's Board of Directors or Compensation Committee.

#### SECTION 16 FILINGS

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and change in ownership with the Securities and Exchange Commission and NASDAQ. Directors, executive officers, and greater than ten percent holders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received or written representations from certain reporting persons, the Company believes that, during fiscal 1996, all filing requirements under Section 16(a) applicable to its directors and executive officers were met.

#### OTHER MATTERS

The Board does not know of any other matter which may come before the Meeting. If any other matters are properly presented to the Meeting, it is the intention of the persons named in the accompanying proxy to vote, or otherwise to act, in accordance with their best judgment on such matters.

#### ANNUAL REPORT

The Company's Annual Report on Form 10-K for the year ended July 31, 1996 is available upon request from the Company.

The Board hopes that stockholders will attend the Meeting. Whether or not you plan to attend, you are urged to complete, sign and return the enclosed proxy in the accompanying envelope. A prompt response will greatly facilitate arrangements for the Meeting, and your cooperation will be appreciated. Stockholders who attend the Meeting may vote their shares even though they have sent in their proxies.

By Order of the Board of Directors

David S. Wetherell

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David S. Wetherell, Secretary

Andover, Massachusetts  
October 28, 1996

[Front of Proxy Card]

CMG INFORMATION SERVICES, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned, hereby appoints David S. Wetherell and Andrew J. Hajducky III and each of them as Proxies of the undersigned, each with the power to appoint a substitute, and hereby authorizes each of them to represent the undersigned at the Annual Meeting of Stockholders to be held on December 10, 1996, or any adjournment thereof, and there to vote all the shares of CMG Information Services, Inc. held of record by the undersigned on October 22, 1996, as directed on the reverse side hereof. If NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE NOMINEE FOR CLASS III DIRECTOR, AND FOR PROPOSALS 2 AND 3. If the nominee for director is unable or unwilling to serve, the shares represented hereby will be voted for another person in accordance with the judgment of the Proxies named herein.

In addition, in their discretion, the Proxies are hereby authorized to vote upon such other business as may properly come before the meeting or any adjournment thereof. This Proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder.

PLEASE VOTE AND SIGN ON OTHER SIDE AND RETURN PROMPTLY IN ENCLOSED ENVELOPE.

Please sign the proxy card exactly as your name or names appear hereon. Joint owners should each sign personally. Trustees and other fiduciaries should indicate the capacity in which they sign, and where more than one name appears, a majority must sign. If a corporation, this signature should be that of an authorized officer who should state his or her title.

HAS YOUR ADDRESS CHANGED?

DO YOU HAVE ANY COMMENTS?

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CMG INFORMATION SERVICES, INC.

(FORMERLY CMG HOLDINGS, INC.)

1986 STOCK OPTION PLAN  
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AS ADOPTED MAY 2, 1986  
AMENDED FEBRUARY 25, 1988  
AUGUST 25, 1988  
NOVEMBER 8, 1993  
JULY 29, 1994

APPROVED BY THE STOCKHOLDERS ON DECEMBER 6, 1994

ARTICLE 1 - PURPOSE  
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This 1986 Stock Option Plan (the "Plan") is intended to provide incentives to key employees of CMG Information Services, Inc. (formerly CMG Holdings, Inc.) (the "Company") and its present and future subsidiaries (as defined in Section 425(f) of the Internal Revenue Code of 1986, as amended (the "Code")) by providing them with opportunities to purchase stock in the Company pursuant to the exercise of options. The Company intends certain options granted under the Plan which are designated as incentive stock options to be "incentive stock options" complying with, and subject to, the terms and conditions of Section 422A of the Code; and with respect to those incentive stock options this Plan shall be interpreted in accordance with that section of the Code, as amended, and the rules and regulations promulgated from time to time thereunder. Stock options granted hereunder which do not comply with Section 422A of the Code or are otherwise intended to be non-qualified stock options shall be designated as non-qualified stock options.

ARTICLE 2 - ADMINISTRATION OF THE PLAN  
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The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Company. The Committee shall consist of at least two members of the Board who are not employees or officers of the Company or its subsidiaries and who are disinterested persons as defined in Securities and Exchange Commission Rule 16b-3, as amended. The Board may remove members from the Committee at any time with or without cause, or may add members to the Committee. Vacancies on the Committee, howsoever caused, shall be filled by the Board. Acts by a majority of the Committee at a meeting, or acts approved in writing by all the members of the Committee, shall be the valid acts of the Committee. Subject to the terms of the Plan, and subject to such overall policies with respect thereto as may be established from time to time by the

Board, the Committee shall have authority to determine the time or times at which options shall be granted, the persons to whom options shall be granted, the number of shares covered by each option, the price per share specified in each option, the time or times when each option or portions or installments of each option shall become exercisable and the duration of the exercise period or periods thereof, the conditions for the exercise of each option or portions or installments of each option or for acceleration of the exercise date or dates of each option or portions or installments thereof, or for the cancellation or termination of each option or portions or installments thereof, and all other terms and provisions of each option and each instrument by which each option shall be evidenced.

All determinations and interpretations made by the Committee with respect to the Plan and each option granted thereunder shall be binding and conclusive on all interested parties unless otherwise determined by the Board. The Committee may from time to time adopt such rules and regulations for carrying out the Plan as it may determine in its sole discretion. No member of the Board or the Committee shall be liable with respect to any action or determination made in good faith regarding the Plan or any option granted under it.

In the event that the Board fails to appoint a Committee, those members of the Board who are "disinterested persons" shall have all powers and authority to administer the Plan. In such event, the word "Committee" wherever used herein shall be deemed to mean the "disinterested persons" on the Board unless the context requires otherwise.

#### ARTICLE 3 - ELIGIBLE PERSONS

Options may only be granted to officers and other key employees of the Company or its subsidiaries (as defined in Section 425(f) of the Code). The granting of any option to a person shall neither entitle such person to, nor disqualify him from, participation in any other grant of options pursuant to this Plan or any other plan. Directors who are not employees of the Company or its subsidiaries shall not be eligible to receive options under this Plan.

#### ARTICLE 4 - STOCK

The stock subject to the options granted hereunder shall be shares of the Company's authorized but unissued shares of Common Stock, par value \$0.01 per share, or shares of Common Stock reacquired by the Company including shares purchased in the open market ("Common Stock"). The maximum number of shares which are hereby reserved for issuance and may be issued pursuant to this Plan is 750,000 less such number of shares as may from time to time be issued pursuant to the CMG Information Services, Inc. 1994 Employee Stock Purchase Plan, subject to adjustment as provided in Article 13. In the event any option granted under the Plan shall expire, terminate or be cancelled for any reason without having been exercised in full, or shall cease for any reason to be exercisable in

whole or in part, the unpurchased shares subject thereto, to the extent the option ceases to be exercisable, shall again be available under the Plan.

ARTICLE 5 - GRANT OF OPTIONS  
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Options may be granted to eligible persons in such number and at such times during the term of the Plan as the Committee shall determine.

ARTICLE 6 - MINIMUM PRICE OF OPTIONS  
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The price per share specified in each option granted under the Plan shall in no event be less than 100% (110% in the case of an incentive stock option granted to a 10% shareholder as defined in Section 422A(b)(6) and related sections of the Code) of the fair market value per share of Common Stock on the date the option is granted. Fair market value shall be determined by the Committee in good faith in accordance with applicable regulations under the Code. If there is a public market for the Common Stock of the Company, fair market value shall be the last closing price before or on the valuation date, or the mean between the highest and lowest quoted selling prices in the market before or on the valuation date, or an average of such prices, all as the Committee in its sole discretion shall determine.

ARTICLE 7 - DURATION OF OPTIONS  
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Subject to earlier termination as provided in Articles 9 and 10, each option shall expire on the date specified by the Committee, but in the case of incentive stock options such expiration date shall be not more than ten years (five years in the case of an incentive stock option granted to a 10% shareholder as defined in Section 422A(b)(6) and related sections of the Code) from its date of grant. The Committee may extend the term of any previously granted option provided that if such option is an incentive stock option it must expire not more than ten or five years from its original date of grant as provided above.

ARTICLE 8 - EXERCISE OF OPTIONS  
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Subject to the provisions of Articles 9 through 12, each option granted under the Plan shall be exercisable as follows:

- A. The option shall either be fully exercisable at the time of grant or shall become exercisable in such installments or portions and at such time or times or upon the

happening of such conditions as the Committee may determine. The installments or portions may be cumulative or noncumulative as the Committee may determine.

- B. Once all or any installment or portion of an option becomes exercisable it shall remain exercisable until cancellation thereof or until expiration or termination of the option, unless otherwise specified by the Committee.
- C. Each option may be exercised from time to time, in whole or in part, up to the total number of shares with respect to which it is then exercisable.
- D. The date of exercise of any option or any portion or installment of any option may be accelerated by fulfillment of such conditions as the Committee may determine. Furthermore, the Committee shall have the right to accelerate the date of exercise of any option or any portion or installment thereof for any reason.
- E. In no event shall an incentive stock option granted before January 1, 1987, hereunder be exercisable by any optionee while there is outstanding any incentive stock option which was previously granted to such Optionee to purchase stock in the Company or in a predecessor of the Company until such previously granted incentive stock option is exercised in full or expires by reason of lapse of time.
- F. The aggregate fair market value (determined at the time the option is granted) of the Common Stock with respect to which incentive stock options granted after December 31, 1986, are exercisable for the first time by an optionee during any calendar year (under all incentive stock option plans of the company and its parent and subsidiary corporations) shall not exceed \$100,000.

#### ARTICLE 9 - TERMINATION OF RELATIONSHIP

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If an optionee's employment with the Company or any subsidiary is terminated for any reason other than death, disability (within the meaning of Section 105(d)(4) of the Code), or termination for cause, his options may be exercised to the extent they were exercisable on the date of such termination, but no further installments or portions of such options will become exercisable (unless otherwise determined by the Committee) and each such option shall terminate on the date one month following the date of such termination (but not later than its specified expiration date). The aforesaid one month period may be extended by the Committee in its sole discretion up to an additional two months in the case of incentive stock options and up to the expiration date of each such option in the case of non-qualified stock options. If an optionee's employment with the Company or any subsidiary is terminated for cause (as defined by the Committee in its sole discretion), all his options shall terminate immediately and be of no further force or effect. Whether authorized leaves of absence or absence on military or governmental service may constitute termination for purposes of the Plan shall be conclusively

determined by the Committee. Nothing in the Plan or in any option granted hereunder shall be deemed to give any optionee the right to continue his employment with the Company or any of its subsidiaries or shall be deemed to interfere in any way with the right of the Company to terminate any optionee's employment at any time and for any reason. Options granted under the Plan shall not be affected by any change of employment among the Company and its subsidiaries so long as the optionee continues to be an employee of the Company or one of its subsidiaries.

ARTICLE 10 - DISABILITY; DEATH  
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If an optionee becomes disabled (within the meaning of Section 105(d)(4) of the Code), his options may be exercised to the extent they were exercisable on the date he ceased to have an employment relationship with the Company or any subsidiary, but no further installments or portions of such options will become exercisable (unless otherwise determined by the Committee) and each such option shall terminate on the date one month following the date of such cessation (but not later than its specified expiration date). The aforesaid one month period may be extended by the Committee in its sole discretion up to an additional eleven months in the case of incentive stock options and up to the expiration date of each such option in the case of non-qualified stock options.

If an optionee dies while he has an employment relationship with the Company or during the one month (or extended) periods referred to in Article 9 or referred to above in this Article 10, his options may be exercised to the extent they were exercisable on the date of his death, by his estate, or duly appointed representative, or beneficiary who acquires the options by will or by the laws of descent and distribution, but no further installments or portions of such options will become exercisable and each such option shall terminate on the date one year following the date of the optionee's death (but not later than its specified expiration date).

ARTICLE 11 - ASSIGNABILITY  
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No option shall be assignable or transferable by the optionee except by will or by the laws of descent and distribution, and during the lifetime of the optionee each option shall be exercisable only by him.

ARTICLE 12 - TERMS AND CONDITIONS OF OPTIONS

Options shall be evidenced by instruments (which need not be identical) in such forms as the Committee may from time to time approve. Such instruments shall conform to the terms and conditions set forth in Articles 6 through 11 and may contain such other provisions not inconsistent with the Plan, including restrictions on transfer, stock repurchase restrictions, forfeiture restrictions, cancellation restrictions and other restrictions applicable to shares of Common Stock issuable upon exercise of options granted under the Plan, as the Committee deems advisable provided such provisions would not cause any incentive stock option to fail to qualify as an incentive stock option under Section 422A of the Code. Common Stock issuable upon the exercise of options granted to persons subject to Section 16 of the Securities Exchange Act of 1934 (the "1934 Act") may not be disposed of within six months following date of grant of such options. Options granted to persons subject to Section 16 of the 1934 Act may contain additional restrictions necessary to comply with Rule 16b-3 promulgated pursuant to the 1934 Act. The Company shall not be obligated to deliver any shares unless and until, in the opinion of the Company's counsel, all applicable Federal and state laws and regulations have been complied with, nor, in the event the outstanding Common Stock is at the time listed upon any stock exchange, unless and until the shares to be delivered have been listed, or authorized to be added to the list upon official notice of issuance, upon such exchange, nor unless and until all other legal matters in connection with the issuance and delivery of shares have been approved by the Company's counsel. Without limiting the generality of the foregoing, the Company may require from the optionee such investment representation or such agreement, if any, as counsel for the Company may consider necessary in order to comply with the Securities Act of 1933. The Company shall use its best efforts to effect any such compliance and listing, and the optionee shall take any action reasonably requested by the Company in this regard.

Options may be granted hereunder (the "CMG Options") in tandem with options granted under a subsidiary's stock option plan (the "Subsidiary Options") with the condition that to the extent that a tandem Subsidiary Option is exercised the corresponding tandem CMG Option (or corresponding installment or portion thereof) shall be automatically cancelled and to the extent that a tandem CMG Option is exercised the corresponding tandem Subsidiary Option (or corresponding installment or portion thereof) shall be automatically cancelled.

ARTICLE 13 - ADJUSTMENTS

Upon the happening of any of the following described events, an optionee's rights under options granted hereunder shall be adjusted as hereinafter provided:

- A. In the event shares of Common Stock of the Company shall be subdivided or combined into a greater or smaller number of shares or if, upon a merger, consolidation, reorganization, split-up, liquidation, combination, recapitalization or the like of the Company, the shares of the Company's Common Stock shall be exchanged for other

securities of the Company or of another corporation, each optionee shall be entitled, subject to the conditions herein stated and to the terms and conditions of each individual option, to purchase such number of shares of Common Stock or amount of other securities of the Company or such other corporation as were exchangeable for the number of shares of Common Stock of the Company which such optionee would have been entitled to purchase except for such action, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination, or exchange; and

- B. In the event the Company shall issue any of its shares as a stock dividend upon or with respect to the shares of stock of the class which shall at the time be subject to option hereunder, each optionee upon exercising such an option shall be entitled to receive (for the purchase price paid upon such exercise) the shares as to which he is exercising his option and, in addition thereto (at no additional cost), such number of shares of the class or classes in which such stock dividend or stock dividends were declared or paid, and such amount of cash in lieu of fractional shares, as he would have received if he had been the holder of the shares as to which he is exercising his option at all times between the date of the granting of such option and the date of its exercise.

Upon the happening of any of the foregoing events, the class and aggregate number of shares set forth in Article 4 hereof which are reserved for issuance pursuant to the Plan or are subject to options which have heretofore been or may hereafter be granted under the Plan shall also be appropriately adjusted to reflect the events specified in paragraphs A and B above.

The Committee shall determine the adjustments to be made under this Article 13, and its determination shall be conclusive and binding on all interested parties.

#### ARTICLE 14 - EXERCISE OF OPTIONS

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An option (or any part or installment thereof) shall be exercised by giving written notice to the Company at its principal office address, identifying the option being exercised, specifying the number of shares as to which such option is being exercised and accompanied by full payment of the purchase price therefor either (1) in United States Dollars, in cash or by certified or bank check, or (2) with the approval of the Committee (which it may grant or withhold in its sole discretion), in shares of Common Stock of the Company owned by the optionee having a fair market value (as defined in Article 6 and determined on the business day immediately preceding the day on which the option is exercised) equal to, or a fraction of a share less than, such purchase price (together with cash or certified or bank check equal in value to such fraction of a share), or (3) in a combination of such Common Stock (with the approval of the Committee) and cash or check. Unless the Committee otherwise determines the holder of an option shall have no rights of a shareholder with respect to the shares covered by his option until the date of issuance of a stock certificate to him for such shares. Unless the Committee otherwise determines no adjustment will be made

for cash dividends or similar rights for which the record date occurs after the exercise of the option but prior to the date such stock certificate is issued. In no case may a fraction of a share be purchased or issued under the Plan.

ARTICLE 15 - TERMINATION AND AMENDMENTS TO PLAN  
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The Plan was adopted by the Board on May 2, 1986; and became effective on that date subject to approval by the holders of a majority of the outstanding shares of voting stock of the Company, which occurred on May 12, 1986. The Plan as originally adopted expired on May 1, 1996 (except as to options outstanding on that date). The Plan was extended to December 6, 2004, by the Board of Directors of the Company on July 29, 1994, subject to approval by the stockholders at the Annual Meeting of Stockholders of the Company to be held on December 6, 1994. Subject to such approval, the Plan shall expire on December 6, 2004 (except as to options outstanding on that date). Options may be granted under the Plan prior to the date of shareholder approval of the Plan (or approval of the extension of the Plan), but such options shall be granted subject to such approval. The Board may terminate or amend the Plan in any respect at any time, except that, without the approval of the shareholders (a) the total number of shares that may be issued under the Plan may not be increased (except by adjustment pursuant to Article 13); (b) the provisions of Article 3, regarding eligibility, may not be modified; (c) the provisions of Article 6, regarding the exercise price at which shares may be offered pursuant to options, may not be modified (except by adjustment pursuant to Article 13); (d) the expiration date of the Plan may not be extended; and (e) the benefits accruing to participants under the Plan may not be materially increased. No action of the Board or shareholders, however, may, without the consent of an optionee, substantially impair his rights under any option previously granted to him; and no amendment may cause any incentive stock options previously granted or to be granted under the Plan to cease to qualify as incentive stock options in accordance with the terms and conditions of the Plan.

ARTICLE 16 - GOVERNMENTAL REGULATION  
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The Plan and the grant and exercise of options thereunder, and the Company's obligation to sell and deliver shares of the Company's Common Stock under such options, shall be subject to all applicable laws (including tax laws), rules and regulations.

ARTICLE 17 - WITHHOLDING TAXES  
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At any time when an optionee is required to pay to the Company an amount to be withheld under applicable income tax laws upon the exercise of a non-qualified stock option, the optionee may satisfy this obligation (to the extent of the minimum amount required to be withheld) in whole or in part by electing (the "Election") to have the Company withhold from the distribution of shares of Common Stock, a number of shares of Common Stock having a value equal to the amount required to be withheld. The

value of the shares to be withheld shall be based on the fair market value of the Common Stock on the Tax Date. Any fractional share amount left over after satisfying the withholding requirement must be paid to the optionee in cash. "Tax Date" means the date on which the amount of tax to be withheld with respect to the exercise of the non-qualified stock option is determined.

Each such election must be made prior to the Tax Date. The Committee may disapprove the Election, may suspend or terminate the right to make an Election, or may provide with respect to any non-qualified option that the right to make an Election shall not apply to such option. An Election is irrevocable.

If the optionee is subject to Section 16(b) of the Securities Exchange Act of 1934, an Election by such optionee is subject to the following additional restrictions:

- A. No Election shall be effective for a Tax Date which occurs within six months of the grant of the option, except that this limitation shall not apply in the event the death or disability of the optionee occurs prior to the expiration of the six-month period.
- B. The election must be made either six months prior to the Tax Date or must be made during a period beginning on the third business day following the date of release for publication of the Company's quarterly or annual summary statements of sales and earnings and ending on the twelfth business day following such date.

I certify that set forth above is a true, complete and correct copy of the CMG Information Services, Inc. 1986 Stock Option Plan as in effect on the date hereof.

Date: \_\_\_\_\_

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William Williams II, Assistant  
Secretary