SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K
FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)
(x) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Fiscal Year Ended July 31, 1997

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From ---------- to ----------

Commission File 0-22846

CMG Information Services, Inc.
(Exact name of registrant as specified in its charter)

Delaware	04-2921333
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Brickstone Square Andover, Massachusetts (Address of principal executive offices)	01810 (Zip Code)

Registrant's telephone number, including area code (508) 684-3600

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

(Title of Class)	(Name of each exchange on which registered)
Common Stock, $0.01 par value	NASDAQ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of voting Common Stock held by non-affiliates of the Registrant was $175,099,287 as of October 20, 1997. The Registrant does not have any outstanding non-voting equity.

On October 20, 1997, the Registrant had outstanding 9,716,508 shares of voting Common Stock, $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 1997 Annual Report to Shareholders are incorporated by reference into Parts I, II and IV of this Report. Portions of the definitive proxy statement (the "Definitive Proxy Statement") to be filed with the Securities and Exchange Commission relative to the Company's 1997 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

TABLE OF CONTENTS
FORM 10-K ANNUAL REPORT
FISCAL YEAR ENDED JULY 31, 1997
CMG INFORMATION SERVICES, INC.

PART I

This Report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including without limitation those discussed in "Risk Factors that May Affect Future Results" section of Item 7 of this Report. Such forward-looking statements speak only as of the date on which they are made, and the Company cautions readers not to place undue reliance on such statements.

PART I

ITEM 1. - BUSINESS

GENERAL

CMG Information Services, Inc. and its subsidiaries ("CMG" or the "Company") is a direct marketing service provider that invests in, develops and integrates advanced, Internet, interactive, and database management technologies. CMG offers its clients a wide variety of direct marketing opportunities to choose from, including: Internet and interactive media direct marketing software technologies, product and literature fulfillment and turnkey outsourcing, sales lead/ inquiry management, business-to-business telemarketing services, highly segmented and accurate mailing lists, database management, design and development capabilities, consultative list management and brokerage services. The Company is advancing products and services that will both create and profit from direct marketing opportunities on the Internet.

Direct marketing is the use of electronic interactive media, mail order, telemarketing, and other methods of direct contact of targeted customers and prospects to promote products and services. Direct marketing, unlike other forms of advertising which are disseminated to a broad audience through print and broadcast media, enables businesses to reallocate marketing and advertising dollars to more effective forms of advertising sent directly to a defined set of consumers. This defined set is identified through analysis and segmentation of large amounts of data on past customers and future prospects. From this information, specific targeted marketing strategies and personalized communications can be generated which focus on those customers and prospects who, according to their buying habits and customer profile, are most likely to respond.

CMG's emergence into the direct marketing products and services arena is being driven by the distinctive yet synergistic competencies of its operating businesses.

CMG's three wholly owned start-up Internet companies, ADSmart Corporation (ADSmart), InfoMation Publishing Corporation (InfoMation) and Planet Direct Corporation (Planet Direct) are being developed to benefit from direct marketing opportunities on the Internet by providing advertising services, personal electronic newspapers and comprehensive Internet service content offerings.

The focus of CMG@Ventures, L.P. (which is being reorganized into CMG@Ventures I LLC), CMG@Ventures, Inc. and CMG @Ventures II, LLC, (collectively CMG@Ventures) is on strategic investment and development opportunities. Their mission is to assist the commercialization of electronic content, products and services via the Internet and interactive media. Drawing upon significant investment resources, strong technical talent, and a management team steeped in the Internet, CMG@Ventures currently holds thirteen strategic investments. In addition, CMG recently formed NaviSite Internet Services Corporation (NaviSite) to provide Web hosting and Internet server management.

As of July 31, 1997, CMG@Ventures had investments in three consolidated subsidiaries: 53% owned Lycos, Inc. (Lycos), 92% owned Blaxxun Interactive, Inc. (Blaxxun, formerly Black Sun Interactive, Inc.), and 53% owned Vicinity Corporation (Vicinity). At July 31, 1997, CMG@Ventures also had minority ownership positions in eight affiliates: 46% owned Parable, LLC (Parable), 41% owned GeoCities, 37% owned Ikonic, Inc. (Ikonic), 31% owned Reel.com, LLC, 23% owned Silknet Software, Inc. (Silknet), 15% owned KOZ, Inc., 15% owned Sage Enterprises, and 9% owned Softway Systems, Inc. Subsequent to July 31, 1997 CMG @Ventures acquired an additional minority ownership position in Speech Machines plc. The Company is entitled to 77.5% of the net capital gains of CMG@Ventures, L.P., and 80% of the net capital gains of CMG@Ventures II, LLC, and the remaining 22.5% and 20% of the net capital gains, respectively, are attributable to CMG@Ventures partners. Most of CMG@Ventures' investments are early stage companies and there can be no assurance that their products or services will be commercially successful.

CMG's subsidiary, SalesLink Corporation (SalesLink), along with its newly acquired subsidiary, Pacific Direct Marketing Corporation (Pacific Link), provides product and literature fulfillment and turnkey outsourcing, inventory management, data warehouse management, sales lead/inquiry management, closed-loop telemarketing, print-on-demand, and customized software solutions for client's marketing or manufacturing programs, and Web fulfillment, primarily to high-tech, financial-services, and health-care markets.

CMG's subsidiary, CMG Direct Corporation (CMG Direct) provides educational and business-to-business publishers with comprehensive, highly segmented, and accurate lists for direct marketing to millions of customers nationwide. CMG Direct's services

help publishers develop and implement effective direct marketing programs using both conventional and on-line media. CMG believes that its databases of university faculty and information-buyers make it a leading supplier of mailing lists and related services to educational and professional publishers. The Company's twenty years of experience supplying lists to the direct marketing industry, together with its expertise in the use of computer technology to develop, segment, enhance, maintain and market customer and prospect list databases, permit the Company to offer its publisher clients a full range of list services.

CMG's subsidiary, Engage Technologies, Inc. (Engage, formerly CMG Direct Interactive Inc.) is at the forefront of leveraging its expertise in direct marketing, database design/development and project management to invest in the creation of new database management products and a suite of product and service offerings that will enable sophisticated direct interactive marketing environments. These new products will enable Engage to take advantage of the demand for data management services created from the Internet and interactive media, while continuing to grow and invest in its computer list services, including list order fulfillment, merge/purge and other direct mail cost saving services.

The Company has adopted a strategy of seeking opportunities to realize significant gains through the selective sale of investments or having separate subsidiaries or affiliates sell minority interests to outside investors. The Company believes that this strategy provides the ability to significantly increase shareholder value as well as provide capital to support the growth in the Company's subsidiaries and investments. Additionally, in fiscal year 1998, the Company plans to continue to develop and refine the products and services of its businesses, with the goal of significantly increasing revenue as new products are commercially introduced, and will continue to pursue a strong pace of investing in new Internet opportunities.

DIRECT MARKETING INDUSTRY

The use of direct marketing by businesses to target and communicate with potential customers has increased due in part to the relative cost efficiency of direct marketing as compared to other advertising methods, as well as the rapid development of affordable computer technology. Prior to and during much of the 1970's, the costs associated with selling products and services either through mass marketing or through personal sales calls were relatively low, while the costs of database development were prohibitive for all but the largest businesses. In the 1980's, the costs of developing and implementing computer technologies to analyze and target potential customers declined while the costs of traditional marketing increased significantly. In addition, concerns have been raised about the efficacy of traditional forms of marketing. Direct marketing remains one of the few advertising media allowing an accurate measure of results through a review of response rates thereby increasing the effectiveness of the selling effort.

The increasing popularity of direct marketing has created a substantial need for comprehensive, current and accurate information to identify high probability purchasers from the millions of consumers in North America. This information, if properly packaged in a database with the appropriate software, can be used in all aspects of direct marketing: market sizing, distribution channel selection and balancing, sales lead generation, territorial resource allocation and customer prioritization and qualification. In the absence of this information, the selling process results in higher expense per sales contact and lost revenue from unidentified customers. These factors have created increasing demand for lower cost information regarding the identity, location and purchasing history of potential customers. For many businesses, this information can be crucial to their marketing success.

Direct marketers of information products, including book and magazine publishers, financial institutions, seminar coordinators and professional associations, generate significant demand for affordable, current, highly-segmented mailing list databases, and mailing list database services. In addition, these information product vendors have sought new ways to obtain value from their customer databases by more effectively analyzing and/or selling their customer and prospect lists.

THE INTERNET AND WORLD WIDE WEB

The Internet is a global collection of thousands of computer networks interconnected to enable commercial organizations, educational institutions, government agencies and individuals to communicate electronically, access and share information and conduct business. While the Internet was historically used by a limited number of academic institutions, defense contractors and government agencies primarily for remote access to host computers and for sending and receiving electronic mail, commercial organizations and individuals are increasingly dominating the use of the Internet. Recent technological advances, including increases in microprocessor speed and the development of easy-to-use graphical user interfaces, combined with cultural and business changes, have led to the Internet being integrated into the operations and strategies of commercial organizations and the activities of individuals.

The rapid deployment of the World Wide Web (the Web) has introduced fundamental and structural changes in the way information can be produced, distributed and consumed, lowering the cost of publishing information and extending its potential reach. Companies from many industries are publishing product and company information or advertising materials, collecting customer feedback and demographic information interactively, and offering their products for sale on the Web. The structure of Web

documents allows an organization to publish significant quantities of product information while simultaneously allowing each user to view selectively only those elements of the information which are of particular interest. This feature makes possible the dynamic tailoring of information delivery to each user's interests in a cost effective and timely fashion. The Web, by facilitating the publishing and exchange of information, is dramatically increasing the amount of information available to users.

INTERACTIVE MARKETING INDUSTRY

Direct marketing is undergoing rapid, fundamental change, as customers' needs evolve and technology advances. Marketing channels and media outlets are expanding in number and diversifying in scope, and powerful database technologies are able to target both broad markets and individual customers with ever-greater precision.

The emergence of the Internet into homes and offices has provided direct marketers with a powerful new distribution mechanism -interactive media. Interactive marketing is a subset of direct marketing. It differentiates itself from traditional direct marketing channels in that the consumer has flexibility and control over what is being presented, when they view the products or services and which types of products or services they are viewing.

In contrast to conventional media, the Internet offers capabilities to target advertising to specific audiences, to measure the popularity of content, to reach worldwide audiences cost-effectively and to create innovative and interactive advertisements. By collecting customer feedback and demographic information, advertisers can direct highly customized marketing campaigns at defined targets. In addition, the Internet enables advertisers to transact with prospective customers much more rapidly than with conventional media.

The Company believes that advertisers will seek to advertise on Web sites that offer a high volume of traffic and feature flexible advertisement programs capable of reaching targeted audiences. Likewise, the Company believes that as advertisers increasingly embrace the Internet as an advertising vehicle, their participation will subsidize in part the creation and expansion of the information and resources available on the Web which in turn is expected to stimulate further traffic flow. However, the Internet as an advertising medium is still evolving and, consequently, advertisers seek demonstration of its effectiveness as a media purchase. Due to the limited information and experience on Web advertising and a general unfamiliarity with the concept of interactive advertising, advertisers require assistance with the design and placement of advertisements on the Internet.

Interactive marketing provides direct marketers with the ability to create electronic databases of customer information. Using this information will enable direct marketers to develop more effective advertising, make better decisions about distribution methods and media selection and target customers more effectively. The dialogue created between the marketer and the consumer through interactive marketing creates advertising accountability, enabling marketers to track advertisement interaction, anticipate consumer needs and make changes immediately. It is expected that across scores of industries, the relationship between marketers and consumers will soon be direct, and one-to-one. When that day arrives, marketers will benefit from this newfound ability to establish deep, intimate relationships with their customers.

PRODUCTS AND SERVICES

Internet Investments

Lycos, Inc.

Lycos, CMG's publicly traded subsidiary, is a free, global Internet navigation and community network dedicated to helping on-line users locate, retrieve and manage information tailored to their individual interests by providing easy-to-use information tools. Lycos' comprehensive suite of products and services enable users of the Internet to quickly, easily and accurately identify, select and access the resources and information of interest to them. Since its inception in June 1995, Lycos has rapidly expanded into a global Internet resource with over 120 employees operating a service used daily by millions of people throughout the world.

In connection with its incorporation in June 1995, Lycos entered into a license agreement pursuant to which Carnegie Mellon University granted to Lycos a perpetual, worldwide right to use and sub-license the Lycos search and indexing technology and other intellectual property. Lycos features this technology as the cornerstone of a suite of products that has transformed the Lycos website into one of the Internet's premier destinations. Lycos, "Your Personal Internet Guide", provides a variety of visually appealing products and services free of charge to users, including: Web Search, Web Guides, Top 5% Sites, Pictures & Sounds Search, Classifieds, Companies On-line, PeopleFind, RoadMaps, News, StockFind, Chat, Email, CityGuides, Yellow Pages and Personal Guide.

Lycos generates revenues primarily through three activities: (1) selling advertisements and sponsorships on its services, (2) licensing its products and technology to businesses to enhance their products and services on the Internet and (3) leveraging Lycos' high volume of traffic into a electronic commerce platform on which advertisers and on-line merchants reach their targeted audiences. During fiscal 1997, advertising revenues represented approximately 78% of Lycos' total revenues. Advertising revenue is primarily generated by placing advertisements on any of the Web pages that are displayed on Lycos' multiple product offerings. Lycos' websites have become a widely accepted advertising medium for the world's most prominent companies, including such brands as: Disney, Dun & Bradstreet, Hilton, IBM, JC Penny and Visa.

For fiscal 1997, revenues from licensing arrangements represented 22% of Lycos' total revenues. In most licensing arrangements, Lycos receives a license fee, maintenance fees for product updates and, where applicable, a share of the advertising revenues, subscription fees or product sales received by licensees. Lycos' license agreements generally have terms of one to three years and Lycos often co-brands its products with the products offered by the partner in order to preserve and enhance Lycos brand recognition. Lycos has licensed its technology and brand to numerous of partners including: Bertelsmann, Compuserve, GTE, Microsoft, Prodigy, and Viacom.

Lycos also believes electronic commerce to be a natural extension of Lycos' search and navigation services. Through electronic commerce, Lycos partners with both on-line and offline merchants to integrate their products into the Lycos service, making them available for sale to Lycos' users. In its electronic commerce arrangements, Lycos generally receives a fixed fee and a share of the proceeds from on-line sales. One of Lycos' most significant electronic commerce partnership to date is with BarnesandNoble.com, Inc. The partnership is a three-year agreement to integrate content and technology extensively throughout the companies respective Web sites. Lycos offers BarnesandNoble.com visibility among millions of users worldwide and provides fast and intuitive access to BarnesandNoble.com's comprehensive on-line ordering capabilities.

A global Internet leader, Lycos provides localized versions of its search and navigation service to countries throughout the world including: Germany, France, UK, Switzerland, Sweden, Spain, Netherlands, Italy and Belgium. Lycos' strategy with respect to international expansion is to partner with powerful local companies whose content, distribution and local presence can be leveraged with Lycos' technology and brand to create formidable strategic alliances. For example, in May 1997, Lycos entering into a joint venture agreement with Bertelsmann Internet Services to create localized versions of the Lycos search and navigation service throughout Europe. The new company, named Lycos-Bertelsmann, is owned 50% by Lycos and 50% by Bertelsmann and is scheduled develop local Internet navigation centers serving a total of 37 Eastern and Western European countries. Bertelsmann Internet Services, a subsidiary of Bertelsmann AG (the world's third-largest media company), has committed to provide $10M in start-up capital, infrastructure and employees for the venture while Lycos will provide the core technology and strong brand name.

Planet Direct

Planet Direct is a personal Web service that features a new approach to providing mainstream consumers with content that is both useful and personally relevant.

Planet Direct provides a localized experience for more than 350 cities across the country, seamlessly integrating brand-name content, enhanced links to popular content sites, and other services. This content gives affiliated Internet Service Providers (ISPs) the resources needed to compete successfully with vertically oriented commercial online services.

Planet Direct's personal Web service is free to ISPs and their subscribers, and is also directly accessible from the Web without disks or downloads. Planet Direct seeks to generate revenues through advertising and commerce. Its advertisers currently include American Express, Black and Decker, and Ziff Davis, and revenues are shared with ISP partners.

The content provided by Planet Direct is presented intuitively, allowing quick access to personal interests, and offering the functionality consumers have come to expect of an online service. Featured materials include news, sports, and entertainment information, chat and discussion, national yellow and white pages, mapping and driving directions, and local and national weather forecasts. Planet Direct has also provided several ways to express opinions, inviting users to post and share ideas such as restaurant and theater reviews and other commentaries.

In fiscal year 1997, Planet Direct launched its service to the mainstream consumer audience, backed by a print advertising campaign in USA Today. Planet Direct has registered more than 100,000 members, and now exceeds a million hits per day to its personal Web service. In fiscal year 1997, Planet Direct also established strategic content relationships with ZDNet, Paramount/Viacom, CitySearch and The Mining Company.

ADSmart

Web publishers are seeking to develop the means to sell, schedule, serve and track the highly targeted advertising that is so critical to their profitability. Advertising agencies are looking for information and results to understand and measure the role web advertising should play in meeting their clients' marketing goals. ADSmart seeks to bridge the gap by drawing on the combined targeting and tracking resources of CMG's core direct marketing business and the Web advertising expertise of CMG portfolio companies. Using its proprietary Ad Network Enabling software, ADSmart has automated the process of matching audience characteristics required by a given advertising campaign with specific articles or sections in Internet sites that belong to the ADSmart.net Internet advertising network. Advertising images are delivered automatically to the viewer's Internet browser, and post-delivery reporting and billing processes are also carried out automatically.

When launched on January 27, 1997, ADSmart.net consisted of 8 sites, and has grown to 75 sites at the end of fiscal year 1997. This translates into advertisers being able to use our member sites to reach upwards of 2.7 million unique Internet viewers per month, or 7 percent of all users of the Internet, up from 1 percent in January. Premier sites in ADSmart.net include Planet Direct and Vicinity Corporation's MapBlast.

ADSmart has opened ad sales offices in New York and San Francisco, and is planning to open a Chicago office early in fiscal year 1998. To address the international market, ADSmart expects to seek to work with strategic partners to apply its technologies and specialized processes.

NaviSite

NaviSite provides hosting and Internet server management to companies that depend on the Internet as a critical business tool.

In order to save money and to get better performance, security, and availability, companies are outsourcing the management of a significant number of the servers on the Internet. NaviSite's customers depend on some of the most complex and demanding of these "server farms." NaviSite strives for maximum availability, including redundant network access, backup power, and advanced monitoring tools. NaviSite believes its network architecture and technical methodology result in superior performance of the systems.

NaviSite's services include systems planning, deployment, operations, and support. In addition, the company provides high-performance Internet access bandwidth. NaviSite monitors and supports the network and its customers' servers around the clock, and provides detailed reports to its customers regarding performance, availability, and activity related to their Web sites. NaviSite seeks to generate revenues primarily from monthly per-server management fees, installation fees, and bandwidth usage charges.

In May, 1997, NaviSite completed a new, 6,000-square-foot Internet server management center in Andover, Massachusetts, and in September 1997 completed a second Internet server management center in Scotts Valley, California. NaviSite began its efforts by deploying servers for CMG affiliate companies, and officially launched the company, including a public news release, August, 1997.

InfoMation

InfoMation Publishing Corporation seeks to solve the problem of information overload for companies, their employees, and their partners by building best-of-breed knowledge management applications.

Companies suffering from information overload risk losing customers, competitive information, relationships with key suppliers and partners, effective decision-making, and ultimately, business. InfoMation seeks to solve these costly problems with its flagship product, Echo. Echo is a Web-based knowledge management application built with sophisticated agents and filters that continually monitor and deliver fresh, targeted news and information. Echo uses standard browsers to retrieve and integrate highly focused information from a wide variety of sources, such as the Web, Lotus(TM) Domino(TM) databases and other internal company resources, news feeds, and Internet news groups, to create customized corporate intranet, Internet, and extranet solutions.

InfoMation is currently targeting customers in the insurance, automotive, and aerospace/ defense markets, by providing a knowledge management solution through a combination of direct sales and channel partnerships with key VARs, system integrators, and consultants. InfoMation entered into partnerships with key content providers during fiscal year 1997, including Financial Times Information, Reuters, Information Inc., News Alert, Phillips Publishing International, Inc., and Telecommunications Reports International, Inc. (TRI).

Looking forward, InfoMation expects to deliver knowledge management applications to target markets and address client needs through a combination of product solutions, customer support and training, and business partnerships. As penetration is made into current target markets, InfoMation expects to address additional markets that leverage the customer base.

Vicinity Corporation

Vicinity Corporation is a private-label provider of geographically enhanced (GeoEnabled/TM/) technology, content, and services for Web publishers and corporate Web sites. Vicinity's GeoEnabling services apply a spatial filter to business listings, maps, and other data to give end users a local and customizable view of information.

Vicinity licenses its services to leading Web search and directory publishers, travel services, Yellow Pages providers, newspapers, and Fortune 1000 companies. These companies then brand the Vicinity services with their own company and service names, their own graphical wrappers, and their own look. Included in Vicinity's package of services are interactive maps and driving directions of the United States, business directories, and business locators.

Among Vicinity's current customers are such leading Web sites as Yahoo!, GTE SuperPages, Cnet, Travelocity, BizTravel.com, and GeoCities. An extensive list of Fortune 1000 customers include Federal Express, Ford Motor Company, Hewlett-Packard, Wells Fargo Bank, PetSmart, Marriott, Honda, Taco Bell and many more.

Vicinity launched its "Vicinity Business Locator" product for the corporate marketplace in September 1996. Vicinity also reached a renewed agreement with Yahoo!, which signed a multi-year contract in June 1997 to license Vicinity's Business Directory, Maps, and Driving Directions.

Blaxxun Interactive

Blaxxun interactive provides software infrastructure for 3D online communities.

Blaxxun seeks to make online interaction not only interesting for visitors and members, but also commercially successful for community operators. Blaxxun licenses its products to corporate customers who want to operate an attractive community site. In addition, Blaxxun provides complete solutions, based on its technology platform. Together with partner companies, Blaxxun builds environments, achieves integration with existing systems, and creates applications in the community.

Designing software that emphasizes scalability, openness, and customizability, Blaxxun is very actively involved in the development of 3D interface standards. All Blaxxun products support open standards, such as VRML, Java, and HTML. Blaxxun's product lines currently include Blaxxun Community Server, a product for operation of shared environments, and Blaxxun Community Clients, a family of clients that provide access to online communities. In fiscal year 1997, Blaxxun continued development of its third generation of products, which are scheduled for release in the near future.

Fulfillment Services

SalesLink

SalesLink, along with its newly acquired subsidiary, Pacific Link, provides product and literature fulfillment and turnkey outsourcing, inventory management, data warehouse management, sales lead/inquiry management, closed-loop telemarketing, print-on-demand, and customized software solutions for client's marketing or manufacturing programs, and Web fulfillment, primarily to high-tech, financial-services, and health-care markets. SalesLink's largest customer is Cisco Systems, Inc. (Cisco), which accounted for 47% of SalesLink's fiscal year 1997 revenues.

Turnkey Outsourcing. SalesLink's major products include supply-based management programs. Also known as "turnkey," these are a form of outsourced manufacturing, in which SalesLink's clients retain the company to buy their components and manufacture bills of materials into products that are either shipped to customers, to channels of distribution, or to the factory for final manufacturing.

Product and Literature Fulfillment. On behalf of its fulfillment clients, SalesLink takes orders for promotional literature and products from its clients' customers and prospects and "fulfills" the orders by assembling and shipping the items requested. Depending on the client, the product or literature may be sent directly to the end-user or to a broker or distributor. SalesLink's mutual fund product and literature fulfillment services begin with the receipt of orders by SalesLink's inbound telemarketing staff. Telemarketers answer calls by mutual fund company name and key order requests into computers. Some clients electronically transmit orders received by their own telemarketing staffs directly into SalesLink's computers. Orders are then generated and presented to the fulfillment production floor where fulfillment packages, including mailing labels, are assembled and shipped. As

necessary adjuncts to fulfillment services, SalesLink provides product and literature inventory control and warehousing. SalesLink also offers customer support and management reports detailing orders, shipments, billings, back orders, and returns. In addition to mutual funds, SalesLink also provides literature and product fulfillment to high technology, biotechnology and consumer electronics businesses and provides print-on-demand and Web fulfillment services.

Sales Lead/Inquiry Management. In sales lead/inquiry management, SalesLink provides prospects with information about a product or service that one of SalesLink's clients is marketing. In response, SalesLink receives sales inquiries and maintains central customer databases of the names and addresses of each person inquiring about the product. SalesLink's clients use the databases for market research, sales follow-up and management reports. Depending on the criteria supplied by the client, SalesLink eliminates non-productive leads, distributes sales inquiries to the client's sales force and ships fulfillment packages containing the client's literature or products. After the disposition of the inquiry, SalesLink is able to produce reports allowing the client to evaluate the effectiveness of the marketing program which generated the inquiry and evaluate the performance of the client's sales force in handling the inquiry.

Telemarketing. SalesLink's telemarketing group offers comprehensive inbound business-to-business telemarketing services to support its sales inquiry management and order processing activities. Telemarketing services include lead qualification, order processing fulfillment and marketing analysis. SalesLink also offers outbound business telemarketing services that are tailored to an individual client's needs. Outbound telemarketing programs can be used to update a client's existing database, survey possible markets or pre-qualify sales leads.

SL Flagship proprietary software. SalesLink has evolved a number of new products and services to further its strategy to diversify into new vertical industry markets. Most notably, the business delivered its new SL Flagship proprietary software and the supporting data warehouse architecture. The system enables customers and client service personnel to instantly access, manipulate and analyze response data about customers' prospects. With SL Flagship, customers avoid the time and costs of extensive programming by making critical marketing decisions using PC-based tools.

SalesLink seeks to grow in the future through gaining market share in its existing markets, through acquisition, and through developing new IT based products and services for its client base. While the Company is actively pursuing increasing the number of fulfillment services customers, the Company believes that its dependence on Cisco will continue for the forseeable future.

List and Database Services

CMG Lists

CMG Direct's principle products are mailing lists derived from its databases and sold primarily to publishers. CMG Direct has three primary mailing list databases, the College List, the Information Buyers List and the K-12 List (formerly known as the ElHi List). The databases are highly segmented, permitting CMG Direct to use its application software to extract specifically defined lists of potential customers who are most likely to purchase products advertised by CMG Direct's clients. CMG Direct is continually working to expand the size and comprehensiveness of its database offerings based on the needs of its clients and the availability of new lists.

CMG Direct is aware of only one other supplier of the faculty mailing lists and two other suppliers of college and university administrator lists. In addition, CMG Direct believes that it has identified virtually all North American textbook publishers and that it supplies mailing lists derived from the College List database to a majority of them. CMG Direct also believes that most of the largest North American publishers of books for professionals contribute their customer lists exclusively to the Information Buyers List database and have agreed not to contribute their customer lists to any other book buyer databases. The publishers also purchase mailing lists and list services from CMG Direct. Accordingly, CMG Direct believes that the Information Buyers List database and the College List database are the dominant databases of their kind and that these databases make CMG Direct a leading supplier of mailing lists and related services to educational and professional publishers.

The College List Database. The College List database, which CMG Direct believes is the dominant list of its type, includes approximately 700,000 names and addresses of college and university deans, administrators, faculty and librarians at every college, university and junior college in North America. CMG Direct classifies each course taught, and the faculty teaching it, into one of approximately 4,000 subject codes, which permits CMG Direct to identify all faculty teaching any particular course or subject and create lists identifying the faculty so they can be targeted. The resulting lists are valuable to publishers, as the classification system of specific subject codes permits them to choose the professors most likely to select a given book for a course and then to send promotional materials and/or a sample copy of the textbook to them. In addition, the database classification system helps publishers identify areas of study where new titles are needed and define the size of the potential market.

The College List is compiled by CMG Direct from course schedules and other source documents published by colleges and universities and is updated continually for new semester information. CMG Direct augments the information available from the schedules with school catalogs, supplemental questionnaires, telephone calls and various other source documents collected from colleges and universities.

The Information Buyers List Database. The Information Buyers List database includes approximately 11 million names and addresses, as well as other pertinent information, of professionals who purchase books, periodicals, seminars and other information products through mail order. The Information Buyers List is assembled from over 120 proprietary lists of over 100 publishers and other organizations. Combining these separate customer lists into a single database permits CMG Direct to offer its clients a larger group of potential customers across a broader range of target categories than could be obtained from any single list. In addition to its size and diversity, the database is also valuable because it is limited primarily to those consumers who have actually purchased through mail order and are therefore thought to be more likely to do so in the future. The Information Buyers List is segmented under the same 4,000 subject codes as the College List, plus additional consumer oriented segmentation.

When a participant's customer list is added to the database, CMG Direct uses its software to segment the list into the subject codes and to supplement the database with information derived from the participant's customer list, such as recency of purchase, gender and home or office address distinctions. This classification system permits CMG Direct to identify professionals that have purchased information products pertaining to any given subject and to create lists identifying the purchasers so they can be targeted.

The lists derived from the Information Buyers List database are used by publishers and other companies in the business-to -business and consumer publishing direct mail markets. The high degree of segmentation of the database enables CMG Direct to extract very specific, and thus, more responsive niches of professionals with a demonstrated interest in purchasing very specific types of information products. This level of selectivity also enables CMG Direct to identify and build other valuable lists that are not obvious properties of the individual component lists used by CMG Direct to maintain the database.

The Kindergarten through Grade Twelve List Database. In 1992 CMG Direct introduced the Kindergarten through Grade Twelve or "K-12 List" database. This database has been formerly referred to as the Elementary/High School or "ElHi List" database. The Kindergarten through Grade Twelve List database consists of more than 3.3 million names of teachers and administrators associated with public elementary through high schools. This list also includes the names of approximately 88,000 public elementary and high schools, approximately 15,500 public school district offices, approximately 16,200 public libraries and approximately 150,000 administrators. The K-12 List is segmented into over 30 public school district demographic categories and is used by publishers of textbooks, supplemental educational materials and magazines and school supply distributors, among others. The K-12 List is compiled from federal, state and local government files and the names of school administrators and staff are developed through state directories, mailings and telephone surveys. This database greatly enhances CMG Direct's ability to service its educational publishing clients and builds on CMG Direct's reputation and distinctive competence in the educational publishing industry.

List Management and Brokerage. CMG Direct provides list management and list brokerage to businesses that use direct marketing to promote their products. As a list manager, CMG Direct acts as the exclusive marketing agent for the mailing lists of its list management clients. In conjunction with performing list management services, CMG Direct also provides list brokerage. This Service allows CMG Direct to be a single source for virtually any brokered list requested by a customer and provides opportunity to generate additional sales of CMG Direct's other products.

Database Services

Engage Technologies

Engage provides standards-based, enterprise-class software system solutions that enable companies to individually distinguish, understand, and interact with anonymous prospects and customers in personalized marketing, sales, and service relationships via the Web.

The Engage Suite addresses the issue of how to determine what prospects and customers visiting a Web site want. Using Engage's software solutions, organizations can gather sophisticated marketing information to better understand and accommodate individual visitor needs and interests. Engage believes its approach to this challenge is unique in that it:

- Addresses the entire process of collecting, analyzing, and utilizing visitor Web site data for real-time personalized interaction.
- Enables understanding of both registered and anonymous Web site visitors, providing organizations with valuable marketing insight while ensuring complete protection of individual privacy and identity.
- Transforms a Web presence from purely informational or "brochureware" into a measurable relationship-marketing tool.
- Works with a company's existing Web site development tools and methodology.

In fiscal year 1997, Engage Technologies made its formal entrance into the interactive marketing arena. Engage launched initial product offerings with a national press and analyst tour, and gained industry analyst recognition as a solutions provider in the personalization market.

The five products that comprise the current Engage Solutions Suite provide for the collection, characterization, consolidation, clarification and customization of both Web-derived and other data sources, thus delivering a scalable and complete relationship marketing solution for the Web. The offerings include:

Engage.Journal	Web site visitor behavior monitoring across and within a network of Web sites
Engage.Portrait	Customizable Web site visitor registration
Engage.Discover	Customizable Web site analysis and iterative querying against Web site data*
Engage.Fusion	Visitor profile generation*
Engage.Link	An open interface to access visitor profiles for dynamic content generation

* Subsequent to July 31, 1997, certain rights to these two products were sold to Red Brick Systems Inc. Engage retains exclusive rights to sell them as part of the Engage Suite.

ListLab

Most businesses do not have the technology or expertise to build, maintain or enhance their mailing lists or databases in-house. Engage's subsidiary, ListLab, offers these businesses a comprehensive service set including database design, program specification, programming, testing, debugging and ongoing maintenance and enhancement.

For clients that want to build a customer database, ListLab provides database analysis, design, software development, testing, debugging, and maintenance. Once the database software is completed, ListLab collects customer and prospect data from its clients in a variety of forms for standardization and inclusion into each client's customized database. This involves working in depth with clients to discern their database maintenance, fulfillment and reporting requirements, converting these requirements to computer program specifications, and managing the project from start to finish.

Database management involves processing customer data, segmenting the processed information to provide the level of detail and selectivity desired, storing the information, and updating it to make it readily accessible for the client's promotional, analytical and list rental activities. Lists may be combined and enhanced with additional demographic information and other lists to form databases which can be used as the basis of additional client promotions or marketed to other list users.

If a client's mailing list is being combined with other lists or if a client purchases several lists for a direct marketing campaign, the lists are often combined into one master list. Typically, these lists will contain duplicate names. ListLab's merge/purge (duplicate elimination) software recognizes and eliminates duplicate names, thereby preventing duplicate mailings and, thus, lowering client mailing costs. In addition, identifying these multiple prospects enables the direct-response client to recognize the duplicate name as a multi-buyer. ListLab also minimizes postal costs through postal pre-sorting, bar coding and address standardization.

ListLab also offers private database management as a service for large volume mailers who mail to the same target lists regularly. A private database is a targeted collection of mailing lists that is used repeatedly by a restricted group of mailers. Ordinarily, this type of mailer would have to contact a list broker, order lists and perform a number of processing functions for each mailing. A private database maintained and updated by ListLab provides the mailer or group of mailers with a pool of mailing lists which have proven effective for their mailing needs. Using the ListLab's services, the mailer can perform research on the private database, select the names most likely to respond and pay only for names used for targeting. Mailing costs are reduced, lead times are shortened and the mailer gains more precise targeting capability.

BUSINESS STRATEGY

Each CMG business unit's mission is to become the predominant services provider within its respective market niche. The critical success factors are: understanding, developing and applying information technology to the Internet, interactive media markets, and data access and software tools; narrowing market focus while consummating strategic alliances to complement product and service offerings; investing in strategic Internet or interactive media investments or acquisitions and, most importantly, a continued understanding of customers' needs.

With respect to the businesses of CMG, the Company will seek to expand its participation in the direct marketing products and services, Internet, interactive media industries, and increase market share. Key elements of this strategy include:

Continue to enhance and expand the Company's products and services. The Company has invested significant resources in new subsidiaries or investments which seek to capitalize on opportunities surrounding the growth of the Internet and the interactive marketing industry. The Company intends to continue to pursue the growth and development of its technologies and services and continue to introduce its products commercially. Additionally, the Company intends to continue to evaluate new opportunities to further its investment in its direct marketing strategy and also to seek out opportunities to realize significant shareholder value through the sale of selected investments or technologies or having separate subsidiaries sell a minority interest to outsiders.

Pursue innovative advertising solutions. The Company is actively seeking to develop innovative ways for advertisers to reach their target audiences through the Internet effectively. The Company designs and offers customized packages which include the ability to change advertisements quickly and frequently, to link a specific search term to an advertisement, to conduct advertising test campaigns with rapid result delivery and to track daily usage statistics. The Company is continuing its development of software that will provide it with the ability to target ads based on demographics and usage patterns.

Actively seek growth in the Company's fulfillment services segment. CMG intends to pursue a strategy of growing its fulfillment services segment through gaining market share in its existing markets, through acquisition, and through developing new IT based products and services for its client base.

Augment database offerings. The Company has expended significant resources to develop the most comprehensive and accurate databases of their kind available to publishers. The Company believes that its College List database is the dominant list of its kind and that the Information Buyers List database is the only list of its kind, complemented by the ElHi list database, which was successfully compiled in fiscal 1995 and is positioned to be cross sold to gain market share. The Company intends to maintain or improve its market position by expanding the number, size, nature, comprehensiveness and segmentation of its database offerings.

Maintain focus on marketers of information-based products. Publishers are among the largest users of direct marketing services. As society becomes more information driven, the amount and value of business and educational information sold by publishers will increase, as will the value of the effective direct marketing of this information. The Company will continue to focus on the publishing industry to participate in this growth.

Expand technological capabilities and computer services. The Company believes that technological innovation will continue to increase the effectiveness of direct marketing and the Internet. Accordingly, the Company is increasing its technological capabilities through the enhancement of existing software and the reengineering of the Company's proprietary database software. This transition will give the Company's clients greater ability to access, analyze and eventually update their own databases through the use of the Company's computer services and software.

Cross-sell products and services. The Company is involved in many aspects of the direct marketing sales cycle. The Company has experienced initial success in increasing the number of products and services purchased by its existing clients and intends to further this expansion .

SALES AND MARKETING

The Company markets its products and services through a marketing staff using both telemarketing and direct sales. The Company maintains separate marketing staffs for each product and service area, enabling the marketing personnel to develop strong customer relationships and expertise in their respective areas. The Company has established direct sales forces experienced in the advertising business to address the new and evolving requirements of the Internet advertising market. The Company believes that an experienced sales staff is critical to initiating and maintaining relationships with advertisers and advertising agencies and therefore has hired a significant portion of its Internet advertising sales force from the advertising industry. The Company advertises its products and services through direct mail, space advertising, Internet banners, directory listings, trade shows and Company sponsored user groups. In addition, in certain instances, the Company, has complemented the activities of its direct sales force by retaining advertising sales agencies, to serve as a sales representatives on a commission basis.

The Company attends numerous trade shows in the Internet, high technology, direct marketing, mutual fund, book, and library markets, while further supplementing its sales efforts with space advertising and product and services listings in appropriate directories. In addition, the Company sponsors user group meetings for its mutual fund clients and major list participants in the Information Buyers List database, where new products and services are highlighted.

The Company also conducts numerous mailings of list catalogs, flyers, newsletters and other product information throughout the year to primarily book, magazine, journal, newsletter and software publishers and resellers, seminar companies, professional associations, business supply catalogers, consumer electronic, high technology and financial service organizations.

COMPETITION

CMG's Internet investments compete in the electronic technology and Internet service arenas which are comprised of numerous small and large companies providing different new technologies, all with varying applications. The market for Internet products and services is highly competitive. In addition, the Company expects the market for Internet advertising, to the extent it further develops, to be intensely competitive. Although the Company believes that the diverse segments of the Internet market will provide opportunities for more than one supplier of products and services similar to those of the Company, it is possible that a single supplier may dominate one or more market segments. The Company believes the principal competitive factors in this market are name recognition, performance, ease of use, variety of value-added services, functionality and features and quality of support. CMG's products and services are being developed predominantly for direct marketing applications, on the Internet or through interactive media. Competitors would include a wide variety of companies and organizations, including Internet software, content, service and technology companies, telecommunication companies, cable companies and equipment/technology suppliers. In the future, the Company may encounter competition from providers of Web browser software and other Internet products and services that incorporate competing features into their offerings. Many of the Company's existing competitors, as well as a number of potential new competitors, have significantly greater financial, technical and marketing resources than the Company.

The Company may also be affected by competition from licensees of its products and technology. There can be no assurance that the Company's competitors will not develop Internet products and services that are superior to those of the Company or that achieve greater market acceptance than the Company's offerings. Moreover, a number of the Company's current advertising customers, licensees and partners have also established relationships with certain of the Company's competitors and future advertising customers, licensees and partners may establish similar relationships. The Company may also compete with online services and other Web site operators as well as traditional off-line media such as print and television for a share of advertisers' total advertising budgets. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that competition will not have a material adverse effect on the Company's business, results of operations and financial condition.

SalesLink has two prominent competitors, Harte-Hanks Direct Marketing, a division of Harte-Hanks Communications, Inc. and Output Technologies, Inc., for the mutual fund literature fulfillment component of its business, and also competes with the internal fulfillment and manufacturing operations of manufacturing and mutual fund companies themselves. SalesLink competes on the basis of pricing, geographic proximity to its clients and the speed and accuracy with which orders are processed. There are many businesses that compete with SalesLink's other services.

CMG Direct competes on the basis of the accuracy, size, and comprehensiveness of its principal databases: the College List and the Information Buyers List. The Company believes that the College List is the dominant database of its kind and has only one competitor, while the ElHi list is a new product offering that will compete with the same competitor as the College List. The Information Buyers List is also the dominant list of its kind. ListLab's products and services compete with numerous other service bureaus and compete on the basis of their effectiveness in processing customer and prospect list databases for publishers.

RESEARCH AND DEVELOPMENT

The Company develops and markets a variety of Internet related products and services, as well as a number of database software technologies. These industries are characterized by rapid technological development. The Company believes that its future success will depend in large part on its ability to continue to enhance its existing products and services and to develop other products and services which complement existing ones. In order to respond to rapidly changing competitive and technological conditions, the Company expects to continue to incur significant research and development expenses during the initial development phase of new products and services as well as on an on-going basis.

During fiscal years 1997 and 1996, the Company expended $25,058,000, and $6,971,000, respectively, or 35.5% and 24.5%, respectively, of net sales, on research and development. In addition, during fiscal years 1997 and 1996, the Company recorded $1,312,000 and $2,691,000, respectively, of in-process research and development expenses in connection with acquisitions of subsidiaries and investments in affiliates. During fiscal year 1995, no amounts were expended for research and development.

INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS

The Company regards its software technologies, databases and database management software as proprietary. CMG's lists

are sold under terms and conditions which permit the Company's clients to use the list for a single mailing only and prohibit the further use or resale of the lists or the names included therein. The Company depends on trade secrets for protection of its software. It has entered into confidentiality agreements with its management and key employees with respect to this software, and limits access to, and distribution of this, and other proprietary information.

EMPLOYEES

As of July 31, 1997, the Company employed a total of 912 persons on a full-time basis. In addition, depending on client demand, SalesLink utilizes manpower agencies to contract between 75 and 150 persons on a temporary, part-time basis. None of the Company's employees are represented by a labor union. The Company believes that its relations with its employees are good.

SEGMENT INFORMATION

Segment information is set forth in Note 3 of the Notes to Consolidated Financial Statements referred to in Item 8(a) below and incorporated herein by reference.

SIGNIFICANT CUSTOMERS

Significant customers information is set forth in Note 2(r) of the Notes to Consolidated Financial Statements referred to in Item 8(a) below and incorporated herein by reference.

ITEM 2. - PROPERTIES

FACILITIES

The location and general character of the Company's principal properties by industry segment as of July 31, 1997 are as follows:

Lists and Database Services and Corporate Headquarters

The Company leases approximately 34,000 square feet of executive office, engineering, sales and operations space in Wilmington, Massachusetts, under a lease which expires in 2000.

The Company also leases approximately 50,000 square feet of executive office, engineering, sales and operations space in Andover, Massachusetts, under a lease which expires in 2002. The Company's Corporate headquarters are housed here.

In addition, the Company leases approximately 22,000 square feet of executive office and computer operations space in Andover, Massachusetts, under a lease which expires in 2007.

Additionally, the Company leases approximately 13,000 square feet which houses a computer data center in Scotts Valley, California, under a lease expiring in 2002.

On July 15, 1997, NetCore Systems, Inc. entered into a sublease agreement with the Company to lease approximately 14,000 square feet of the Wilmington space, under a sublease arrangement that expires in 2000.

Fulfillment Services

The Company's operations are conducted from an approximately 210,000 square foot leased facility in Boston, Massachusetts. The lease for this facility expires in 1998. In addition, the Company's west coast operations are conducted from a leased facility containing approximately 202,000 and 39,000 square feet in Newark, California. The leases for these facilities expire in 2011 and 1999, respectively. Additionally, the Company leases an approximately 51,000 square foot operating facility in Bedford Park, Illinois under a lease which expires in 1999.

Investment and Development

The Company leases an aggregate of 70,000 square feet of office, engineering, sales and operations space in the following locations:

Massachusetts: Burlington and Framingham

New Hampshire: Lebanon
Pennsylvania: Pittsburgh
Georgia: Atlanta
New York: New York City
California: Menlo Park, Palo Alto and San Francisco
Germany: Munich

Leases for the above locations expire from 1997 to 2002.

This industry segment also shares a portion of the Company's Andover, Massachusetts Corporate facility described above.

COMPUTER OPERATIONS

The Company's computer systems are primarily maintained at its Andover, Massachusetts, Wilmington, Massachusetts, Boston, Massachusetts, Scotts Valley, California, and Pittsburgh, Pennsylvania locations. The Company's operations are dependent in part upon its ability to protect its operating systems against physical damage from fire, floods, earthquakes, power loss, telecommunications failures, break-ins and similar events. The Company does have a disaster recovery plan in place, including relying on a combination of an outsourced solution and a mirrored Web hosting facility arrangement. Despite the implementation of network security measures by the Company, its servers are also vulnerable to computer viruses, break-ins and similar disruptive problems. The occurrence of any of these events could result in interruptions, delays or cessations in service to users of the Company's products and services which could have a material adverse effect on the Company's business, results of operations and financial condition.

ITEM 3. - LEGAL PROCEEDINGS

The Company is not a party to any material litigation.

ITEM 4. - SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Report.

PART II

ITEM 5. - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Market information is set forth in Note 19 of the Notes to Consolidated Financial Statements referred to in Item 8 (a) below and incorporated herein by reference.

(b) On October 20, 1997, there were 165 holders of record of common stock.

(c) The Company has never paid cash dividends on its common stock, and the Company has no intention to pay cash dividends in the forseeable future.

ITEM 6. - SELECTED CONSOLIDATED FINANCIAL DATA

The information set forth on page 20 of the 1997 Annual Report to Shareholders is incorporated herein by reference and is filed herewith as Exhibit 13.1.

ITEM 7. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information set forth on pages 21-27 of the 1997 Annual Report to Shareholders, referred to in Item 8(a) below, is incorporated herein by reference and is filed herewith as Exhibit 13.2.

ITEM 8. - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) The following consolidated financial statements of the Company and independent auditors' report set forth on pages 28-44 of the 1997 Annual Report to Shareholders are incorporated herein by reference and are filed herewith as Exhibit 13.3:

- Consolidated Balance Sheets as of July 31, 1997 and 1996
- Consolidated Statements of Operations for the three years ended July 31, 1997
- Consolidated Statements of Stockholders' Equity for the three years ended July 31, 1997
- Consolidated Statements of Cash Flows for the three years ended July 31, 1997
- Notes to Consolidated Financial Statements
- Independent Auditors' Report

(b) Selected Quarterly Financial Data (unaudited) is set forth in Note 19 of the Notes to Consolidated Financial Statements referred to in Item 8 (a) above and incorporated herein by reference.

ITEM 9. - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated by reference from the portions of the Definitive Proxy Statement entitled "Proposal 1--Election of Directors," "Additional Information," and "Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11. - EXECUTIVE COMPENSATION

Incorporated by reference from the portions of the Definitive Proxy Statement entitled "Executive Compensation," and "Additional Information--Compensation of Directors."

ITEM 12. - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference from the portion of the Definitive Proxy Statement entitled "Security Ownership by Management and Principal Stockholders."

ITEM 13. - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference from the portion of the Definitive Proxy Statement entitled "Certain Relationships and Related Transactions."

PART IV

ITEM 14. - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A) Financial Statements, Financial Statement Schedule, and Exhibits

1. Financial Statements. The financial statements as set forth under Item 8 of this report on Form 10-K are incorporated herein by reference.

2. Financial Statement Schedule. Financial Statement Schedule II of the Company and the corresponding Report of Independent Auditors on Financial Statement Schedule are included in this report.

   All other financial statement schedules have been ommitted since they are either not required, not applicable, or the information is otherwise included.

3. Exhibits. The following Exhibits are required to be filed with this Report by Item 14 and are incorporated by reference to the source cited in the Exhibit Index below or are filed herewith.

EXHIBIT INDEX

EXHIBIT NO.	TITLE	METHOD OF FILING
3 (i) (1)	Amendment to the Restated Certificate of Incorporation	Incorporated by reference to Exhibit 3 (i) (1) to the Registrant's quarterly report on Form 10-Q for the quarter ended April 30, 1996
3 (i) (2)	Restated Certificate of Incorporation	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
3 (ii)	Restated By-Laws	Incorporated by reference from Registration Statement on Form S-1 as amended, filed on November 10, 1993 (Registration No. 33-71518)
4	Specimen Stock Certificate representing the Common Stock	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.01	Form of Indemnification Agreement between the Registrant and its Directors	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.02	Lease, dated November 21, 1991, Between the Registrant and Ballardvale Park Associates II Limited Partnership	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.03	Lease Agreement, dated September 2, 1992, between SalesLink Corporation, the subsidiary of the Registrant, and American National Bank & Trust Company of Chicago as Trustee under Trust No. 1001971-01	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.04	Amendment to Lease, dated May 10, 1992, between SalesLink Corporation, the subsidiary of the Registrant, and Drydock Associates Limited Partnership	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.05	CMG/SalesLink Savings and Retirement 401(k) Plan	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.06*	Employment Agreement, dated August 1, 1993, between the Registrant and David S. Wetherell	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.07	Fulfillment and Inventory Management Agreement between SalesLink Corporation, the subsidiary of the Registrant, and MFS Financial Services, Inc.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.08	Fulfillment and Mailing Agreement, dated January 1, 1993, between SalesLink	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on

	Corporation, the subsidiary of the Registrant, and Kemper Financial Services, Inc.	November 10, 1993 (Registration No. 33-71518)
10.09	Agreement, dated January 15, 1991, between ListLab, a division of the Registrant, and Prentice-Hall, Business and Professional Publishing Division	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.10	Account Indebtedness Letter Agreement, dated as of November 9, 1993, between the Registrant and David S. Wetherell	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.11	Amendment to Account Indebtedness Letter Agreement, dated as of January 10, 1994, between the Registrant and David S. Wetherell	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.12*	Amendment No. 1 to the Employment Agreement, dated January 20, 1994, between the Registrant and David S. Wetherell	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.13	Amendment No. 2 to Account Indebtedness Letter Agreement, dated January 25, 1994 between the Registrant and David S. Wetherell	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
10.14	Extension Agreement dated August 4, 1995 to Fulfillment and Mailing Agreement dated January 1, 1993, between SalesLink Corporation and Kemper Financial Services, Inc.	Incorporated by reference to Exhibit 10.24 to the Registrant's annual report on Form 10-K for the year ended July 31, 1995
10.15	Fulfillment Master Purchase Agreement dated March 28, 1994, between SalesLink Corporation and Fidelity Investments Institutional Service Company, Inc.	Incorporated by reference to Exhibit 10.25 to the Registrant's annual report on Form 10-K for the year ended July 31, 1995
10.16	Literature Fulfillment Agreement dated August 1, 1995, between SalesLink Corporation and Vista Capital Management	Incorporated by reference to Exhibit 10.26 to the Registrant's annual report on Form 10-K for the year ended July 31, 1995
10.17	License Agreement dated June 16, 1995, as amended, between the Registrant, CMG@Ventures, L.P., Carnegie Mellon University, and Lycos, Inc.	Incorporated by reference to Exhibit 10.27 to the Registrant's annual report on Form 10-K for the year ended July 31, 1995
10.18	Agreement and Plan of Reorganization dated as of November 8, 1994, as amended, among the Registrant, BookLink Technologies, Inc., America Online, Inc. and BLT Acquisition Corporation	Incorporated by reference from Report on Form 8-K as filed with the commission 01/01/95 (File No. 0-22846)
10.19*	1995 Employee Stock Purchase Plan	Incorporated by reference to Exhibit 10.29 to the Registrant's annual report on Form 10-K for the year ended July 31, 1995.
10.20*	1986 Stock Option Plan, as amended	Incorporated by reference to Exhibit 10.30 to the Registrant's annual report on Form 10-K for the year ended July 31, 1995.
10.21	Partnership Agreement by and among CMG-@Ventures, Inc., CMG@Ventures Capital Corp., the Registrant and various Profit Partners	Incorporated by reference to Exhibit 10.32 to the Registrant's quarterly report on Form 10-Q for the quarter ended January 31, 1996.

10.22	Master Agreement dated as of February 13, 1996 between BBN Corporation and the Registrant.	Incorporated by reference to Exhibit 10.33 to the Registrant's quarterly report on Form 10-Q for the quarter ended January 31, 1996.
10.23*	1995 Stock Option Plan for Non-Employee Directors	Incorporated by reference to Exhibit 10.34 to the Registrant's quarterly report on Form 10-Q for the quarter ended January 31, 1996.
10.24	Amendments dated February 9, 1996 and March 4, 1996 to License Agreement dated June 16, 1995, between the Registrant, CMG-@Ventures L.P., Carnegie Mellon University and Lycos, Inc.	Incorporated by reference to Exhibit 10.35 to the Registrant's quarterly report on Form 10-Q or the quarter ended January 31, 1996.
10.25	Sublease, dated September 26, 1996 between the Registrant and FTP Software, Inc.	Incorporated by reference to Exhibit 10.1 to the Registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1996.
10.26*	Amendment No. 2 to Employment Agreement, dated October 25, 1996, between the Registrant and David S. Wetherell	Incorporated by reference to Exhibit 10.2 to the Registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1996.
10.27	Revolving Credit and Term Loan Agreement dated as of October 24, 1996, among SalesLink Corporation, the Registrant, Pacific Direct Marketing Corp. and the First National Bank of Boston	Incorporated by reference to Exhibit 10.3 to the Registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1996.
10.28	Revolving Credit Note of SalesLink Corporation, dated as of October 24, 1996, in the principal amount of $2,500,000	Incorporated by reference to Exhibit 10.4 to the Registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1996.
10.29	Term Note of SalesLink Corporation, dated as of October 24, 1996, in the principal amount of $5,500,000	Incorporated by reference to Exhibit 10.5 to the Registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1996.
10.30	Guaranty by Pacific Direct Marketing Corp. dated as of October 24, 1996	Incorporated by reference to Exhibit 10.6 to the Registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1996.
10.31	Guaranty by the Registrant dated as of October 24, 1996	Incorporated by reference to Exhibit 10.7 to the Registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1996.
10.32	Supplement #1 to Sublease, dated September 26, 1996 between the Registrant and FTP Software, Inc.	Incorporated by reference to Exhibit 10.1 to the Registrants quarterly report or Form 10Q for the quarter ended January 31, 1997.
10.33	CMG Stock Purchase Agreement, dated as of December 10, 1996 by and between the Registrant and Microsoft Corporation	Incorporated by reference to Exhibit 99.1 to the Registrant's current report on Form 8-K dated January 31, 1997, filed on February 14, 1997.
10.34	CMG @Ventures, Inc. Deferred Compensation Plan	Incorporated by reference to Exhibit 10.1 to the Registrants quarterly report on Form 10Q for the quarter ended April 30, 1997.

10.35	Limited Liability Company Agreement for CMG @Ventures, I, LLC	Filed herewith
10.36	Stock Purchase Agreement dated as of October 24, 1996, among SalesLink Corporation, CMG Information Services, Inc., Pacific Direct Marketing Corp., d/b/a Pacific Link and all the stockholders of Pacific Link. Pursant to Item 602(b)(2) of Regulation S-K, the schedules and certain exhibits to the Stock Purchase Agreement are omitted. A list of such schedules and exhibits appears in the table of contents to the Stock Purchase Agreement. The Registrant hereby undertakes to furnish supplementally a copy of any omitted schedule or exhibit to the Commission upon request.	Incorporated by reference to Exhibit 2 to the Registrant's report on Form 8-K as filed with the commission 10/24/96 (File No. 0-22846)
10.37	Warrant Purchase Agreement by and among SalesLink Corporation and BankBoston, N.A., dated as of October 24, 1996.	Filed herewith
10.38	Common Stock Purchase Warrant issued by SalesLink Corporation to BankBoston, N.A., dated as of October 24, 1996.	Filed herewith
10.39	ISDA Master Swap Agreement (the "Swap Agreement"), dated as of January 14, 1997, by and between CMG Information Services, Inc. and The First National Bank of Boston (FNBB")	Filed herewith
10.40	Confirmation and Schedule to Swap Agreement, dated as of January 14, 1997, by and between CMG Information Services, Inc. and FNBB.	Filed herewith
10.41	ISDA Credit Support Annex, dated as of January 14, 1997, by and between FNBB and CMG Information Services, Inc.	Filed herewith
10.42	Repurchase Agreement, dated as of January 14, 1997, by and between CMG @Ventures, L.P. and the Long Lane Master Trust.	Filed herewith
10.43	First Amendment and Waiver to Revolving Credit and Term Loan Agreement by and among the Registrant, Pacific Direct Marketing Corporation and FNBB, dated March 14, 1997.	Filed herewith
10.44	Assumption, Second Amendment and Confirmation Agreement by and among SalesLink Corporation and BankBoston, N.A., dated July 11, 1997.	Filed herewith
10.45	Term Note, dated March 14, 1997, between SalesLink Corporation and Imperial Bank.	Filed herewith
10.46	Amended and Restated Term Note, dated March 14, 1997, between SalesLink Corporation and FNBB.	Filed herewith

10.47	Second Amended and Restated Revolving Credit Note, dated July 11, 1997, between SalesLink Corporation and Imperial Bank.	Filed herewith
10.48	Second Amended and Restated Revolving Credit Note, dated July 11, 1997, between SalesLink Corporation and BankBoston, N.A.	Filed herewith
10.49	Revolving Credit Agreement, dated May 14, 1997, between the Registrant and BankBoston, N.A.	Filed herewith
10.50	Revolving Credit Note, dated May 14, 1997, between the Registrant and BankBoston, NA.	Filed herewith
11	Statement of Computation of Earnings Per Share	Filed herewith
13.1	Selected Consolidated Financial Data	Filed herewith
13.2	Management's Discussion and Analysis of Financial Condition and Results of Operations	Filed herewith
13.3	Consolidated Financial Statements, Supplementary Data, and Independent Auditors' Report	Filed herewith
21	Subsidiaries of the Registrant	Filed herewith
23	Consent of Independent Auditors	Filed herewith
27	Financial Data Schedule	Filed herewith

* Management contracts and compensatory plans or arrangements.

(B) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the fiscal quarter ended July 31, 1997.

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENT SCHEDULE

The Board of Directors
CMG Information Services, Inc.:

Under date of September 19, 1997, we reported on the Consolidated Balance Sheets of CMG Information Services, Inc. as of July 31, 1997 and 1996, and the related Consolidated Statements of Operations, Stockholders' Equity, and Cash Flows for each of the years in the three year period ended July 31, 1997, which are included in the Form 10-K for the year ended July 31, 1997. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule of Valuation and Qualifying Accounts in the Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG PEAT MARWICK LLP
KPMG PEAT MARWICK LLP

Boston, Massachusetts
September 19, 1997

CMG INFORMATION SERVICES, INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JULY 31, 1995, 1996, 1997

ACCOUNTS RECEIVABLE, ALLOWANCE FOR DOUBTFUL ACCOUNTS	BALANCE AT BEGINNING OF PERIOD	ACQUISITIONS	ADDITIONS CHARGED TO COSTS TO EXPENSES (BAD DEBT EXPENSE)	DEDUCTIONS (CHARGED AGAINST ACCOUNTS RECEIVABLE)	DISPOSITION	BALANCE AT END OF PERIOD
1995	$137,000	$ --	$ 60,000	$ 49,000	$ --	$ 148,000
1996	$148,000	$ --	$294,000	$ --	$ --	$ 442,000
1997	$442,000	$395,000	$442,000	$186,000	$10,000	$1,083,000

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CMG INFORMATION SERVICES, INC.
(Registrant)

Date: October 29, 1997

By: /s/ David S. Wetherell
David S. Wetherell, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been duly signed below by the following persons on behalf of the Registrant and in the capacities and on the date set forth above.

Signature	Title
/s/ David S. Wetherell David S. Wetherell	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Andrew J. Hajducky, III Andrew J. Hajducky III, CPA	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
/s/ John A. McMullen John A. McMullen	Director
/s/ Craig D. Goldman Craig D. Goldman	Director

Exhibit 10.35

CMG@VENTURES I, LLC

LIMITED LIABILITY COMPANY AGREEMENT

CMG@VENTURES I, LLC

LIMITED LIABILITY COMPANY AGREEMENT

TABLE OF CONTENTS

CMG@VENTURES I, LLC

LIMITED LIABILITY COMPANY AGREEMENT

THIS LIMITED LIABILITY COMPANY AGREEMENT is dated and is effective as of the 23rd day of October, 1997 (the "Agreement"), by and among (i) the undersigned Managing Member, CMG@VENTURES, INC., a Delaware corporation whose address is set forth on Exhibit A attached hereto (together with any successor or additional Managing Member who may hereafter be admitted to the Company as a Managing Member and whose name, address, and signature, upon admittance, shall be set forth on Exhibit A, hereinafter referred to as the "Managing Member" and sometimes as a "Capital Member"), and (ii) the undersigned Capital Investment Member, CMG@VENTURES CAPITAL CORP., a Delaware corporation whose address is set forth on Exhibit A attached hereto (together with any successor or additional Capital Investment Member who may hereafter be admitted to the Company as a Capital Investment Member and whose name, address and signature, upon admittance, shall be set forth on Exhibit A, hereinafter referred to as the "Capital Investment Member" and sometimes as a "Capital Member"), and (iii) such individuals as may now or hereafter be admitted to the Company as Profit Members and whose names, addresses, and signatures are set forth on Exhibit A attached hereto (together with any successor or additional Profit Member who may hereafter be admitted to the Company (and whose name, address, and signature, upon admittance, shall be set forth on Exhibit A), hereinafter referred to as the "Profit Members"). The Managing Member and the Capital Investment Member are also sometimes collectively referred to herein as the "Capital Members" and individually as a "Capital Member." The Managing Member and the Capital Investment Member and the Profit Members are sometimes collectively referred to herein as the "Members" and individually as a "Member."

W I T N E S S E T H :

WHEREAS, the parties hereto desire to join together to form a limited liability company known as "CMG@Ventures I, LLC" (the "Company") under and pursuant to the Delaware Limited Liability Company Act, 6 Del C. Section 18.101 et seq., (as amended from time to time, the "Delaware Act");

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

FORMATION, ETC.

1.1 Formation.

The undersigned parties hereby acknowledge that the term of the Company shall commence on the date on which a Certificate of Formation is duly filed pursuant to the Delaware Act which date is acknowledged to be October 23, 1997, and shall continue until terminated in accordance with ARTICLE X.

1.2 Filings.

The Managing Member shall file the Certificate of Formation and shall file all amendments thereto in the office of the Secretary of State of the State of Delaware and, so long as the Company shall exist as a Delaware limited liability company, shall do all other acts and things requisite for the continuation of the Company as a limited liability company pursuant to the Delaware Act.

1.3 Name; Ownership of Property.

The name of the Company is "CMG@Ventures I, LLC" All business of the Company shall be conducted under such name, and title to all property, real, personal, or mixed, owned by or leased to the Company, shall be held in such name; except that certain Portfolio Securities may be owned by the Managing Member in accordance with the terms and conditions of one or more agreements between the Managing Member and the Company with respect to those Portfolio Securities. The Company's business may also be conducted under any other name or names deemed advisable by the Managing Member including, without limitation, the name "@Ventures." The words "LLC" or "Limited Liability Company" or such other designation as the Managing Member shall deem appropriate shall be included in the name where necessary to comply with the applicable laws of any jurisdiction. The Managing Member shall give prompt notice of any name change to each Member.

1.4 Offices.

The principal office of the Managing Member shall be maintained at 100 Brickstone Square, 1st Floor, Andover, Massachusetts 01810, or at such other location or locations as may from time to time be designated by the Managing Member with prompt notice to each Member.

1.5 Duration.

The term of the Company's existence shall continue through and terminate on April 13, 2010, subject to earlier or later termination pursuant to the provisions of ARTICLE X hereof. The term of the Company's existence may be extended at the sole discretion of the Managing Member for one or more periods of not less than three nor more than ten years each, depending on the maturity of the Company's Investments and the amount of capital or capital calls remaining to be invested or reinvested and the opportunities for investing or reinvesting such capital or capital calls.

1.6 Registered Agent.

The Company shall maintain a registered agent and registered office in the State of Delaware. The name and address of the registered agent of the Company in the State of Delaware upon whom process may be served, and the address of the registered office of the Company in the State of Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801. The Managing Member may change the designated registered office or registered agent and upon any such change shall give prompt notice to each Member of any change in the registered office or agent of the Company.

1.7 Purposes; Restructuring of Investments.

(a) The Company is formed for the following purposes:

(i) to afford the Members the possibility of realizing income and gains (A) from equity appreciation and other income, principally by means of the Company's purchase, directly or through holding companies ("Holding Companies"), of equity and equity-related securities, notes, debentures, limited partnership interests, limited liability company interests, or other equity or debt instruments or other interests or investments of any nature whatsoever, including, without limitation, notes, debentures, and common or preferred stock, (whether or not convertible or exchangeable), and rights, options and warrants to purchase notes, debentures, and common or preferred stock or other securities or debt instruments, or direct or indirect interests in tangible or intangible assets of any kind whatsoever (all of the foregoing being hereinafter referred to as "Investments" or as "Securities"), in privately or publicly held or solely owned operating or investment businesses or other entities or parts thereof or assets (together with Holding Companies, the "Portfolio Companies") and (B) from the management, ownership, supervision and disposition of such Portfolio Companies;

(ii) pending utilization or disbursement of funds to purchase securities of Portfolio Companies, to invest such funds in Temporary Investments; and

(iii) to engage in any activities or transactions necessary or desirable to accomplish the foregoing purposes and to do any other act or thing, in the sole discretion of the Managing Member, incidental or ancillary thereto.

(b) Except with the approval of seventy-five percent (75%) in interest of the Capital Investment Members and seventy-five percent (75%) in interest of the Profit Members:

(i) Unless the Managing Member determines it would otherwise be in the best interests of the Company, the Company shall not alter or restructure the Company's Investment in a Portfolio Company during the term of the Company in a manner that the Managing Member determines may (or may not) result in a distribution of cash to the Capital Investment Members or to the Profit Members insufficient to pay any tax which those Capital Investment Members or Profit Members would reasonably be expected to be required to pay as a result of that alteration or restructuring;

(ii) The Company shall make no Investment in a Portfolio Company unless (A) the assets of the Company (excluding payment for such investment) are sufficient to pay or provide for all debts and liabilities of the Company (including all contingent liabilities but excluding debts and liabilities to which such payment is to be applied as specified in the applicable Call Notice) and (B) to the best of the Managing Member's knowledge, there are no other obligations against or liabilities of the Company which would divert any amount paid by a Capital Investment Member pursuant to the applicable Call Notice with respect to such Investment other than the making of the applicable proposed Investment in the Portfolio Company; and

(iii) The Company shall not acquire any shares of stock, stock purchase warrants, stock options, limited partnership interests, and/or other Securities if the acquisition and/or holding thereof would require registration of the Company under the Investment Company Act, unless a registration statement relating to the Company (or an exemption from such registration) shall have become effective under the Investment Company Act.

1.8 Qualification in Other Jurisdictions.

The Managing Member shall cause the Company and/or the Managing Member to be qualified or registered under its own name or the Managing Member's name or under an assumed or fictitious name pursuant to foreign limited company statutes or similar laws in any jurisdiction in

which the Company owns property or transacts business if such qualification or registration is necessary in order to protect the limited liability of the Members or to permit the Company lawfully to own property or transact business and shall cause the Company not to transact business in any such jurisdiction until it is so qualified or registered. The Managing Member shall execute, file and publish all such certificates, notices, statements or other instruments necessary or desirable to permit the Company and the Managing Member to conduct business as and through a limited liability company in all jurisdictions where the Company elects to do business and to maintain the limited liability of the Members.

1.9 Fiscal Year.

The fiscal year of the Company (the "Fiscal Year") for financial accounting and for Federal income tax purposes shall end on July 31 of each year.

1.10 Reliance by Third Parties.

Persons and entities dealing with the Company are entitled to rely conclusively upon the power and authority of the Managing Member as herein set forth.

2.

CAPITAL CONTRIBUTIONS; MEMBERS' ACCOUNTS; ALLOCATIONS

2.1 Capital Commitments.

Subject to the provisions of Sections 2.9, 2.10 and 2.11, the Capital Members hereby agree to make cash contributions to the capital of the Company up to the total amount of twenty-two million dollars ($22,000,000) and in the proportionate amounts set forth opposite the names of each of the Capital Members on Exhibit A attached hereto for the purpose (and only for the purpose) of funding the Company's Investments in Portfolio Companies. The amount of each such commitment, less any portion of the commitment which is released or reduced pursuant to Sections 2.9, 2.10 or 2.11 and plus any portion assumed pursuant to Section 2.10, is referred to herein as a "Capital Commitment." Capital Commitments shall not be assets of the Company until capital is contributed, and then only to the extent of the aggregate capital so contributed. On any date when a Capital Investment Member makes a contribution to the capital of the Company, the Managing Member (or Managing Members if there be more than one) shall contribute to the capital of the Company cash in such amount as is sufficient to cause the Managing Member's Capital Contributions to equal 1% of the sum of the Capital Contributions of all of the Capital Members.

Except as otherwise required by law or Section 10.3, the Managing Member shall not be obligated to restore or contribute to the capital of the Company, all or any portion of a negative balance in its Capital Account.

Each Capital Member shall have the option, but not the obligation, to reinvest any Recovered Capital and any Net Realized Capital Gains or other property distributed to such Capital Member, net of any taxes payable with respect thereto, in the Company or in another limited liability company or partnership managed by the Managing Member by notifying the Managing Member in writing of the amount of such additional capital commitment whereupon such capital commitment shall be added to the existing capital commitment (if any) of such Capital Member in the Company or in the other company or partnership.

2.2 Capital Contributions.

(a) The aggregate amount of capital contributed by a Capital Investment Member pursuant to its Capital Commitment, less Returns of Capital as defined below, is referred to herein as a "Capital Contribution." The Managing Member shall call for payment of each Capital Investment Member's Capital Commitment only as needed to fund the Company's prospective Investments in Portfolio Companies and for no other purpose. All such calls shall be made in writing to all Capital Investment Members pro rata in proportion to their respective Capital Commitments and shall be made by separate notices (unless waived) ("Call Notices") containing the information set forth in Section 2.2(b). The Managing Member shall use its best efforts to deliver Call Notices (unless waived) to the Capital Investment Members by telex, telecopier, cable or overnight courier not less than thirty (30) days in advance of the date on which the installment payable in response to such notice is due (the "Due Date"), and shall deliver such notice (unless waived) in no event less than ten (10) Business Days before the Due Date. All Capital Contributions shall be paid on or before their Due Date. No Capital Commitment may be called after expiration of the Commitment Period. Any Due Date in respect of which a Call Notice has been delivered may be postponed by the Managing Member one or more times for an aggregate of up to sixty (60) calendar days following the originally scheduled Due Date; provided that if the sixtieth day after such originally scheduled Due Date shall not be a Business Day, then such Due Date may be postponed until the next succeeding Business Day. The Managing Member shall give prompt notice (unless waived) to each Capital Investment Member, by telex, facsimile, telecopier, cable or overnight courier, of any such postponement, whereupon such rescheduled Due Date shall be the Due Date for purposes hereof. To the extent that the information contained in the original Call Notice has materially changed, such notice of postponement shall set forth such changes. All payments of the Capital Investment Members hereunder shall be made to the Company by transfer by wire or otherwise of federal funds or other immediately available funds (or by such other means as the Managing Member may designate or approve) by 11:00 a.m. Eastern time on the relevant Due Date to an account of the Company designated by the Managing Member for such purpose. So far as practicable, Capital Contributions shall be invested by the Managing Member in

Temporary Investments pending the purchase of Portfolio Securities. Any amounts paid by a Capital Investment Member pursuant to a Call Notice for an Investment in Portfolio Securities that does not take place within sixty (60) days of the originally scheduled Due Date (or, if the sixtieth day after such Due Date is not a Business Day, the next succeeding Business Day), shall, together with any interest earned thereon, be refunded to such Capital Investment Member (a "Return of Capital") at its request and such Capital Investment Member's Capital Commitment remaining to be called shall be increased by the amount so refunded, excluding such interest.

(b) Each Call Notice shall state the scheduled Due Date and specify:

(i) The aggregate amount of payments to be made on the Due Date;

(ii) The required payment to be made by the Capital Investment Member to which the Call Notice is delivered;

(iii) The account to which such payment shall be paid; and

(iv) The anticipated nature and approximate timing of the Investment in the Portfolio Company and the type and approximate amount of Portfolio Securities to be acquired with such payment.

Within two Business Days after receiving any Call Notice, any Capital Investment Member may request such additional information from the Managing Member as is reasonably necessary to enable it (with the advice of its counsel) to determine whether the particular investment by the Capital Investment Member is prohibited as described in Section 2.11. Within two (2) Business Days following its receipt of such request, the Managing Member shall make available to such Capital Investment Member any such requested information that is in the possession of, or may be acquired without undue hardship by, the Managing Member.

(c) With respect to the Company's first acquisition of Portfolio Securities, the Due Date for Capital Contributions shall be the closing date of such acquisition.

(d) If a Capital Investment Member is excused from making a Capital Contribution pursuant to Section 2.11 or defaults in the payment of a Capital Contribution as contemplated in Section 2.10, the Managing Member shall forthwith deliver a new Call Notice to the remaining Capital Investment Members assessing them their pro rata portion of the amount of such Capital Contribution remaining unpaid, payable on the Due Date of such Capital Contribution, provided, however, that the Managing Member may in its discretion increase its own Capital Contribution to furnish the additional funds to purchase such Portfolio Securities that would have been purchased with such unpaid Capital Contribution, which funds shall be returned to the Managing Member upon payment of the Capital Contributions of the remaining Capital Investment Members to the Company as provided above.

2.3 Capital Accounts.

(a) A capital account ("Capital Account") shall be established on the books of the Company for each Capital Member in which there shall be recorded each contribution of capital made by or for the account of such Capital Member as of the date such contribution is made. Each Capital Member's Capital Account shall be increased or decreased to reflect Capital Contributions, contributions of Investments in Portfolio Securities held by the Managing Member, Returns of Capital, allocations of Net Operating Profits, Net Operating Losses, Net Realized Capital Gains and Net Realized Capital Losses and distributions of Cash Flow and Capital Proceeds and Capital, and shall be otherwise adjusted in accordance with Section 1.704-1(b)(2)(iv) of the Treasury Regulations provided that such adjustment does not materially decrease the amount or defer the timing of any distributions, including distributions upon liquidation, that the Capital Members would otherwise be entitled to receive pursuant to this Agreement. No Capital Member shall be required to reimburse the Company for any negative balance in such Capital Member's Capital Account; provided, that each Capital Member shall remain fully liable to make Capital Contributions to the extent of such Capital Member's Capital Commitment, except as such Capital Commitment may be reduced as provided herein.

(b) In the sole discretion of the Managing Member, the Company may revalue its Investments and other assets and adjust the Members' Capital Accounts in accordance with Section 4.8 and applicable generally accepted accounting principles in connection with (i) a write-off of any Investment, (ii) any acquisition of an interest or increase or decrease in an existing interest or interests in the Company with respect to any new or existing Member, (iii) any distribution by the Company to a Member of more than a de minimis amount of property as consideration for the redemption of an interest in the Company, (iv) the liquidation of the Company, (v) any contribution to the Company of an Investment in a Portfolio Company held by the Managing Member, and (vi) such other circumstances as are approved by the Managing Member and permitted by the Treasury Regulations. All Capital Account adjustments made to reflect revaluations of Investments pursuant to this Section 2.3(b), and all Capital Account adjustments made subsequent thereto, shall comply with Treasury Regulations Sections 1.704-1(b)(2)(iv)(f), 1.704-1(b)(2)(iv)(g) and 1.704-1(b)(4)(i), provided that such compliance shall not materially decrease the amount or defer the timing of any distributions, including distributions payable upon liquidation, that the Members would otherwise be entitled to pursuant to this Agreement. Such adjustments shall simulate the manner in which Net Realized Capital Gains or Net Realized Capital Losses, and Net Operating Profits or Net Operating Losses, as the case may be, would be allocated among the Members if the Company's Investments and other assets were then sold for their fair market values and the proceeds of such sales were distributed to the Members pursuant to ARTICLE IV.

2.4 Capital Commitments Not Company Assets.

At no time shall any portion of a Member's Capital Commitment be held out by the Managing Member to any creditor of the Company or be reflected on any balance sheet as an asset of the Company.

2.5 Net Operating Profits and Net Operating Losses-Allocation .

(a) Prior to the allocation of any Net Realized Capital Gains or Net Realized Capital Losses for each Fiscal Year as provided in Section 2.6 below, Net Operating Profits, if any, of the Company for each Fiscal Year shall be allocated to the Members as follows and in the following order of priority as of the end of such Fiscal Year:

(i) First, so much of such Net Operating Profits for such Fiscal Year as shall not exceed the Managing Member Loss, if any, as of the end of the preceding Fiscal Year shall be allocated to the Managing Member to cover part or all of such Managing Member Loss.

(ii) Second, so much of any remaining Net Operating Profits for such Fiscal Year as shall not exceed the Capital Member Loss, if any, as of the end of the preceding Fiscal Year shall be allocated to all of the Capital Members in proportion to their Percentages in Interest as set forth in Exhibit A.

(iii) Third, so much of any remaining Net Operating Profits for such Fiscal Year as shall not exceed the Profit Member Loss, if any, as of the end of the preceding Fiscal Year shall be allocated to the Profit Members as a group to be further allocated pro rata according to such Profit Members' Carried Interests as defined in Section 3.2 hereof and added to their respective Capital Accounts to cover part or all of such Profit Member Loss.

(iv) Fourth, the balance of any remaining Net Operating Profits, if any, for such Fiscal Year shall be allocated as follows: (A) for Net Operating Profits relating to Investments made on or prior to July 31, 1996 (including Follow-On Investments made after July 31, 1996), twenty-two and one-half percent (22.5%) and for Net Operating Profits relating to Investments made after July 31, 1996, twenty percent (20%) (the "Profit Members Carried Interest Allocation") shall be allocated to the Profit Members as a group to be further allocated pro rata according to such Profit Members' Carried Interests as defined in Section 3.2 hereof and added to their respective Capital Accounts, and (B) a percentage equal to one hundred percent (100%) less the Profit Members Carried Interest Allocation (the "Capital Members' Allocation") shall be allocated to the Capital Members as a group to be further allocated pro rata according to such Capital Members' Percentages in Interest as set forth in Exhibit A, and added to their respective Capital Accounts.

(b) Prior to the allocation of any Net Realized Capital Gains or Net Realized Capital Losses for each Fiscal Year as provided in Section 2.6 below, Net Operating Losses, if any, of the Company for each Fiscal Year shall be allocated to the Members as follows and in the following order of priority as of the end of such Fiscal Year:

(i) First, such Net Operating Losses for such Fiscal Year shall be allocated as follows: (A) for Net Operating Losses relating to Investments made on or prior to July 31, 1996 (including Follow-On Investments made after July 31, 1996), twenty-two and one-half percent (22.5%) and for Net Operating Losses relating to Investments made after July 31, 1996, twenty percent (20%) (the "Profit Members' Carried Interest Allocation") of such Net Operating Losses (but not to exceed the Profit Members' positive account balances, if any, existing in their Capital Accounts as of the end of the preceding Fiscal Year) shall be allocated to the Profit Members as a group as a Profit Member Loss to be further allocated according to such Profit Members' respective Carried Interests as defined in Section 3.2 hereof and debited pro rata to their respective Capital Accounts, and (B) a percentage equal to one hundred percent (100.0%) less the Profit Members Carried Interest Allocation (the "Capital Members' Allocation") of such Net Operating Losses (but not to exceed the excess of the Unrecovered Capital of the Capital Members over the Capital Member Loss, if any, as of the end of the preceding Fiscal Year) shall be allocated to all of the Capital Members as a Capital Member Loss in proportion to their respective Percentages in Interest as set forth in Exhibit A and debited to their respective Capital Accounts.

(ii) Second, the balance of such Net Operating Losses as shall exceed (A) the positive account balances, if any, existing in the Profit Members' Capital Accounts as of the end of the preceding Fiscal Year and (B) the excess of the Unrecovered Capital of the Capital Members over the Capital Member Loss, if any, as of the end of the preceding Fiscal Year, shall be allocated to the Managing Member as a Managing Member Loss.

2.6 Capital Gains and Capital Losses with Respect to Portfolio Securities-Allocation.

(a) Following the allocation of any Net Operating Profits or Net Operating Losses for each Fiscal Year as provided in Section 2.5 above, Net Realized Capital Gains, if any, of the Company for each Fiscal Year shall be allocated to the Members as follows and in the following order of priority as of the end of such Fiscal Year:

(i) First, so much of such Net Realized Capital Gains for such Fiscal Year as shall not exceed the Managing Member Loss, if any, as of the end of the preceding Fiscal Year (as increased or decreased by the allocation of any Net Operating Losses or Net Operating Profits for the current Fiscal Year) shall be allocated to the Managing Member to cover part or all of such Managing Member Loss.

(ii) Second, so much of any remaining Net Realized Capital Gains for such Fiscal Year as shall not exceed the Capital Member Loss, if any, as of the end of the preceding Fiscal Year (as increased or decreased by the allocation of any Net Operating Losses or Net Operating Profits for the current Fiscal Year) shall be allocated to all of the Capital Members in proportion to their Percentages in Interest to cover part or all of such Capital Member Loss.

(iii) Third, so much of any remaining Net Realized Capital Gains for such Fiscal Year as shall not exceed the Profit Member Loss, if any, as of the end of the preceding Fiscal Year (as increased or decreased by the allocation of any Net Operating Losses or Net Operating Profits for the current Fiscal Year) shall be allocated to the Profit Members as a group to be further allocated pro rata according to such Profit Members' Carried Interests as defined in Section 3.2 hereof and added to their respective Capital Accounts to cover part or all of such Profit Member Loss.

(iv) Fourth, the balance of such Net Realized Capital Gains, if any, for such Fiscal Year shall be allocated as follows: (A) for Net Realized Capital Gains relating to Investments made on or prior to July 31, 1996 (including Follow-On Investments made after July 31, 1996), twenty-two and one-half percent (22.5%) and for Net Realized Capital Gains relating to Investments made after July 31, 1996, twenty percent (20%) (the "Profit Members Carried Interest Allocation") shall be allocated to the Profit Members as a group to be further allocated pro rata according to such Profit Members' Carried Interests as defined in Section 3.2 hereof and added to their respective Capital Accounts, and (B) a percentage equal to one hundred percent (100.0%) less the Profit Members Carried Interest Allocation (the "Capital Members' Allocation") shall be allocated pro rata to the Capital Members as a group to be further allocated according to such Capital Members' Percentages in Interest as set forth in Exhibit A, and added to their respective Capital Accounts.

(b) Following the allocation of any Net Operating Profits or Net Operating Losses for each Fiscal Year as provided in Section 2.5 above, Net Realized Capital Losses, if any, of the Company for each Fiscal Year shall be allocated to the Members as follows and in the following order of priority as of the end of such Fiscal Year:

(i) First, such Net Realized Capital Losses for such Fiscal Year shall be allocated as follows: (A) for Net Realized Capital Losses relating to investments made on or prior to July 31, 1996 (including Follow-On Investments made after July 31, 1996), twenty-two and one-half percent (22.5%) and for Net Realized Capital Losses relating to Investments made after July 31, 1996, twenty percent (20%) (the "Profit Members Carried Interest Allocation") of such Net Realized Capital Losses (but not to exceed the Profit Members' positive account balances, if any, existing in their Capital Accounts as of the end

of the preceding Fiscal Year as increased or decreased by the allocation of any Net Operating Losses or Net Operating Profits for the current Fiscal Year) shall be allocated to the Profit Members as a group as a Profit Member Loss to be further allocated according to such Profit Members' respective Carried Interests as defined in Section 3.2 hereof and debited pro rata to their respective Capital Accounts, and (B) a percentage equal to one hundred percent (100.0%) less the Profit Members Carried Interest Allocation (the "Capital Members' Allocation") of such Net Realized Capital Losses (but not to exceed the excess of the Unrecovered Capital of the Capital Members over the Capital Member Loss, if any, as of the end of the preceding Fiscal Year as increased or decreased by the allocation of any Net Operating Losses or Net Operating Profits for the current Fiscal Year) shall be allocated to all of the Capital Members as a Capital Member Loss in proportion to their respective Percentages in Interest as set forth in Exhibit A and debited to their respective Capital Accounts.

(ii) Second, the balance of such Net Realized Capital Losses as shall exceed (A) the positive account balances, if any, existing in the Profit Members' Capital Accounts as of the end of the preceding Fiscal Year and (B) the excess of the Unrecovered Capital of the Capital Members over the Capital Member Loss, if any, as of the end of the preceding Fiscal Year, shall be allocated to the Managing Member as a Managing Member Loss.

2.7 Special Allocation Rules.

(a) Qualified Income Offset. In the event that any Member unexpectedly receives any adjustment, allocation, or distribution described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4),(5) or (6) which causes it to have an Adjusted Capital Account Deficit, items of Company income and gain (including gross income) shall, before any other allocations are made pursuant to this ARTICLE II, be specially allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, such Member's Adjusted Capital Account Deficit as quickly as possible, provided that an allocation pursuant to this Section 2.7 shall be made to a Member only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this ARTICLE II have been tentatively made as if this Section 2.7 were not in this Agreement. This Section 2.7 is intended to be a "qualified income offset" as defined in Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted and applied consistently therewith.

(b) Minimum Gain Chargebacks. The Managing Member shall make such allocations of items of income and gain as are necessary to comply with the "minimum gain chargeback" provisions of Section 1.704-2(f) of the Treasury Regulations or any successor provisions thereto.

(c) Member Non-Recourse Deductions. The Managing Member shall make such allocations of "partner non-recourse deductions" of the Company, as defined in Section 1.704-2(b)(4) of the Treasury Regulations or any successor provisions thereto, as are necessary to comply with Section 1.704-2(i) of the Treasury Regulations or any successor provisions thereto.

(d) Curative Allocations. The allocations set forth in Sections 2.7(a), 2.7(b) and 2.7(c) hereof (the "Regulatory Allocations") are intended to comply with certain requirements of Section 1.704-1(b) of the Treasury Regulations (and any successor provisions thereto). Notwithstanding any other provision of this ARTICLE II, the Regulatory Allocations shall be taken into account in allocating other profits, losses and items of income, gain, loss and deduction among the Members so that, to the extent possible, the net amount of such allocations of other profits, losses and other items and the Regulatory Allocations to each Member shall be equal to the net amount that would have been allocated to each such Member if the Regulatory Allocations had not been made.

(e) Special Fees. Special Fees shall constitute items of Company operating income.

(f) Maintenance Expenses; Organizational and Syndication Expenses. For purposes of this ARTICLE II and the provisions of ARTICLE X dealing with final allocations, all fees and expenses that the Managing Member must pay pursuant to Section 5.4(a) that are Maintenance Expenses or expenses of organizing and syndicating the Company under Section 709 of the Code and the Treasury Regulations thereunder shall be treated as expenses of the Managing Member and deducted from its Capital Account. For purposes of this ARTICLE II and the provisions of ARTICLE X dealing with final allocations, all allocations with respect to Maintenance Expenses and the expenses of organizing and syndicating the Company shall be made to the Capital Account of the Managing Member. All the forgoing amounts shall be treated as contributions by the Managing Member to the Company for its own Capital Account.

(g) Special Allocations. Notwithstanding the allocation provisions set forth in Section 2.5 and in Section 2.6, the Company may, with the approval of the Managing Member and with the approval of a Majority in Interest of the Profit Members, make a special allocation of any part or all of any Net Realized Capital Gains to one or more of the Members provided that (i) any special distribution with respect to such special allocation of Net Realized Capital Gains to a Profit Member shall not exceed the amount of such Profit Member's Vested Carried Interest at the time of such special allocation determined for purposes only of this special allocation pursuant to this Section 2.7(g) as if all the Portfolio Company Securities then held by the Company of the kind being sold to produce the Net Realized Capital Gains were valued at Fair Market Value determined as provided in Section 4.8 on the date of such special allocation and further provided that (ii) such special allocation (and any related special distribution) shall be carried on the books of the Company as a special allocation (and as a related special distribution) with respect to the Capital Account of each Member receiving such special allocation which shall (except for the calculation of the special allocation (and any related special distribution) set forth herein) eventually comply with

and be in accordance with (A) the formula for allocating Net Realized Capital Gains as set forth in Sections 2.5 and 2.6 above, and (B) the terms and conditions with respect to the allocation, vesting and distribution of Net Realized Capital Gains in excess of Unrecovered Capital as set forth in Section 2.5 and Section 2.6 above and in ARTICLE III and in ARTICLE IV hereof. Likewise, upon the approval and at the direction of a Majority in Interest of the Profit Members, the Company shall sell Marketable Securities held by the Company to the extent of the Profit Members' Vested and Unvested Carried Interests therein, determined for purposes only of this special allocation pursuant to this Section 2.7(g) as if all the Portfolio Company Securities then held by the Company of the kind being sold to produce the Net Realized Capital Gains were valued at Fair Market Value determined as provided in Section 4.8 on the date of such special allocation, and with the Net Realized Capital Gains resulting from any such sale to be specially allocated to the accounts of certain Profit Members (and invested as determined by a Majority in Interest of the Profit Members) pending distribution upon vesting as provided herein, provided that any such special allocation shall be carried on the books of the Company as a special allocation with respect to the Capital Account of each Member receiving such special allocation which shall (except for the calculation of the special allocation set forth herein) eventually comply with and be in accordance with (A) the formula for allocating Net Realized Capital Gains as set forth in Sections 2.5 and 2.6 above, and (B) the terms and conditions with respect to the allocation, vesting and distribution of Net Realized Capital Gains in excess of Unrecovered Capital as set forth in Section 2.5 and Section 2.6 above and in ARTICLE III and in ARTICLE IV hereof. Notwithstanding the forgoing, at the time of termination and liquidation of the Company as provided herein all allocations of Net Realized Capital Gains during the entire term of the Company must comply with the formula set forth in Section 2.5 and in Section 2.6 above.

2.8 Tax Allocations; Income Tax Elections.

(a) For federal, state and local income tax purposes, the income, gains, losses and deductions of the Company shall, for each taxable period, be allocated among the Members in the same manner and in the same proportion that such items have been allocated to the Members as provided in this ARTICLE II; provided, that (i) any adjustments made pursuant to Section 743 or 734 of the Code shall be taken into account and (ii) items of income, gain, loss and deduction with respect to Company property reflected in the Capital Members' Capital Accounts and on the books of the Company at a value that differs from the Company's adjusted tax basis in such property shall be allocated, solely for tax purposes, among the Capital Members so as to take account of that difference in value in accordance with Code Section 704(c) and Treasury Regulations Sections 1.704-1(b)(2)(iv)(f) and 1.704-1(b)(4)(i).

(b) Upon the written request of any Capital Investment Member that an election provided for in Section 754 of the Code be made, the Managing Member shall promptly give notice to all the other Capital Investment Members of such request. Unless the Managing Member has received written objections to the making of such election from a Majority in Interest of the Capital

Investment Members within thirty (30) days of such notice, it shall, if then permitted by applicable law, make such election. All costs and expenses incurred by the Company in connection with the making of such an election shall be borne by the Capital Investment Member requesting the same or, if more than one Capital Investment Member shall have made such request, by each requesting Capital Investment Member in the proportion which its Capital Commitment bears to the Capital Commitments of all Capital Investment Members making such request.

2.9 Modification of Capital Commitments.

Capital Commitments shall be subject to modification only as follows:

(a) If, in the opinion of counsel reasonably satisfactory to the Managing Member, there have occurred changes in laws or regulations after the date hereof that are likely materially and adversely to affect the Company's ability to achieve its investment objectives as set forth in Section 1.7 or otherwise to operate in substantially the manner as contemplated herein, the Managing Member (with the approval of the Advisory Committee) or two-thirds in interest of the Capital Investment Members may shorten or cause an early termination of the Commitment Period.

(b) Capital Commitments may be increased in accordance with Sections 7.2 and 2.10(c) and decreased in accordance with Sections 2.11(b) and 2.11(c) without penalty pursuant to this Section 2.9 or any other provision of this Agreement.

2.10 Default in Capital Commitment.

Except as provided in Section 2.9, if a Capital Investment Member fails to fund its Capital Commitment as required under Section 2.1 on the Due Date and such failure continues for seven (7) Business Days after receipt of written notice of such failure from the Managing Member (or for such longer period (not to exceed twenty (20) Business Days) as the Managing Member may in its sole discretion permit under extraordinary circumstances), then such Capital Investment Member which failed to make payment within such seven (7) Business Days, as the case may be, after receipt of such notice or assessment (in each case, the "Date of Default") shall be a "Defaulting Capital Investment Member," and the following provisions of this Section 2.10 shall apply:

(a) 25% Forfeiture. As of the Date of Default, the Defaulting Capital Investment Member shall forfeit 25% of such Member's Capital Account balance, if positive (the "Forfeiture Amount"). The Forfeiture Amount shall be reallocated among all Non-Defaulting Capital Investment Members as follows: any Non-Defaulting Capital Investment Member who purchases a portion of the Defaulting Capital Investment Member's remaining interest in accordance with Section 2.10(b) shall be allocated that percentage of the Forfeiture Amount equal to the percentage of the Defaulting Capital Investment Member's interest so purchased. The balance of the

Forfeiture Amount, if any, shall be allocated among all Non-Defaulting Capital Investment Members in proportion to their respective Percentages in Interest as set forth in Exhibit A, determined without inclusion of any Defaulting Capital Investment Member's Capital Contribution and without giving effect to any purchase under Section 2.10(b). Any such adjustments shall not affect tax allocations that had previously been made in accordance with Section 2.8.

(b) 75% Sale. The Managing Member will give prompt written notice of such default to all Non-Defaulting Capital Investment Members, each of whom will then have thirty (30) days after receipt of such notice (which notice shall specify the purchase price of the Defaulting Capital Investment Member's remaining interest in the Company, as reduced in accordance with Section 2.10(a) above), within which to elect to purchase that percentage of such reduced interest equal to the purchasing Capital Investment Member's Percentage in Interest (determined without inclusion of any Defaulting Capital Investment Member's Capital Contribution). The aggregate purchase price of the Defaulting Capital Investment Member's interest in the Company shall be equal to the Defaulting Capital Investment Member's Capital Account (after forfeiture in accordance with Section 2.10(a)) plus (minus) the net unrealized capital gains (losses) allocable to the Defaulting Capital Investment Member's Capital Account (as so reduced) on the last day of the quarter of the Fiscal Year in which the default occurs. For purposes of this Section 2.10(b) only, net unrealized capital gains shall be equal to eighty percent (80%) of the excess of the Fair Market Value of Portfolio Securities over the book value of such securities, and net unrealized capital losses shall be equal to the excess of the book value of Portfolio Securities over the Fair Market Value thereof, in each case disregarding any adjustment under Section 734 or 743 of the Code. All purchases pursuant to this Section 2.10(b) shall be made within thirty (30) days after notice from the Non-Defaulting Capital Investment Members of their election to purchase and shall be made in cash paid to the Defaulting Capital Investment Member. If fewer than all Non-Defaulting Capital Investment Members so elect, the Managing Member shall reoffer to each Non-Defaulting Capital Investment Member that did so elect the option of electing further to increase the portion of the interest of the Defaulting Capital Investment Member purchased by it in an amount equal to the total of the Defaulting Capital Investment Member's interest not so purchased multiplied by a fraction, the numerator of which is the amount which such Non-Defaulting Capital Investment Member elected to purchase and the denominator of which is equal to the aggregate amount which all Non-Defaulting Capital Investment Members elected to purchase. If after applying the foregoing procedure any portion of the Defaulting Capital Investment Member's interest remains unsold, the Managing Member shall reoffer each electing Non-Defaulting Capital Investment Member the option of electing further to increase the portion of the interest of the Defaulting Capital Investment Member which it purchases in an amount determined equitably by the Managing Member.

(c) Adjustment of Capital Accounts and Commitments. The Defaulting Capital Investment Member's Capital Account shall be decreased by 25% to reflect the forfeiture pursuant to Section 2.10(a). In addition, to reflect purchases of a Defaulting Capital Investment Member's interest pursuant to Section 2.10(b), the Capital Account of the Defaulting Capital Investment Member shall be decreased by the percentage of the Defaulting Capital Investment Member's

interest being purchased (calculated after the forfeiture pursuant to Section 2.10(a)), and the Capital Account and Percentage of Contributed Capital of each purchasing Capital Investment Member shall correspondingly be increased. Each Member who purchases a portion of a Defaulting Capital Investment Member's interest under Section 2.10(b) shall by virtue of such action assume liability for that percentage of the Defaulting Capital Investment Member's unpaid Capital Commitment equal to the percentage of the interest so purchased, and shall have its Percentage in Interest as set forth in Exhibit A correspondingly increased.

(d) Loss of Voting Rights, Etc. To the extent that the Non-Defaulting Capital Investment Members do not purchase the entire interest of the Defaulting Capital Investment Member, the Defaulting Capital Investment Member shall remain a Capital Investment Member and shall not be released from that portion of such Capital Investment Member's unfunded Capital Commitment which is not assumed by Non-Defaulting Capital Investment Members upon purchase of the Defaulting Capital Investment Member's interest as provided in this Section 2.10; such Defaulting Capital Investment Member shall not be entitled to make further Capital Contributions to the Company except as requested and called in the discretion of the Managing Member. All subsequent allocations to such Defaulting Capital Investment Member in accordance with ARTICLE IV shall be made on the basis of the Defaulting Capital Investment Member's Percentage of Contributed Capital following the reduction thereof in accordance with Sections 2.10(a) and (b). Whenever the vote, consent or decision of the Members is required or permitted pursuant to this Agreement, no Defaulting Capital Investment Member shall be entitled to participate in such vote (except for a vote pursuant to Section 17-801(3) of the Delaware Act), to offer or withhold its consent or to make such decision, and such vote, consent or decision shall be made as if such Defaulting Capital Investment Member were not a Member. Any such vote, consent or decision shall be binding upon such Defaulting Capital Investment Member.

(e) Applications of Reductions. All reductions in the Capital Account of a Defaulting Capital Investment Member pursuant to this Section 2.10 shall be applied equally to Capital Contributions and amounts allocated to such Capital Account but not yet distributed.

2.11 Continuing Participation.

(a) The Managing Member may excuse any Capital Investment Member from continuing participation in an Investment in a Portfolio Company (such Capital Investment Member shall be an "Excused Member" with respect thereto and such Investment shall be an "Excused Investment") if the Managing Member determines that there is a substantial likelihood that such Capital Investment Member's continuing indirect Investment in such Portfolio Company might have a Material Adverse Effect (as defined in Section 2.11(d) below) on the Company or the Portfolio Company and the Managing Member shall have given 10 days' advance written notice to any such Capital Member specifying its reason for availing itself of the provisions of this Section 2.11(a) and shall have delivered to such Capital Investment Member an opinion of counsel to such

effect. Such Capital Investment Member shall become an Excused Member with respect to such Excused Investment as soon as practicable. The Managing Member shall take commercially reasonable steps to cause the portion of the Excused Investment that would have been allocated to the Excused Member promptly to be sold by the Company for a cash price equivalent to the Fair Market Value of such portion of the Excused Investment, taking into account the factors set forth in Section 4.8(c). The proceeds of such sale shall be paid over to such Excused Member. All costs and expenses of the Company in respect of the determinations and other matters referred to in this Section 2.11 shall be allocated to the Capital Account of the Excused Member.

(b) If at any time the Managing Member determines in good faith that there is a substantial likelihood that the continuing participation in the Company by any Capital Investment Member might have a Material Adverse Effect on the Company, such Capital Investment Member will, at the request of the Managing Member, use its best efforts to dispose of its entire interest in the Company (or such portion of its interest in the Company that is sufficient to prevent or remedy such Material Adverse Effect) to any person at a price acceptable to such Capital Investment Member, in a transaction which complies with Section 7.3. If such Capital Investment Member has not disposed of such of its interest as is sufficient to prevent or remedy such Material Adverse Effect within ninety (90) days of the Managing Member having notified such Capital Investment Member of the determination set forth in the preceding sentence (or within such fewer number of days as the Managing Member may determine, as supported by an opinion of counsel, is necessary to avoid a Material Adverse Effect), then the Managing Member shall have the right, upon at least 15 days' prior written notice to such Capital Investment Member, to take, in its sole discretion any or all of the following actions to prevent or remedy such Material Adverse Effect:

(i) prohibit such Capital Investment Member from making a Capital Contribution with respect to any and all future investments in Portfolio Companies and reduce its unused Capital Commitment to any amount (greater than or equal to zero);

(ii) offer to any person, including each other Member, the opportunity to purchase all or a portion of such Capital Investment Member's interest in the Company at its Fair Market Value (provided that if the Managing Member itself purchases such interest, the purchase price shall be determined by an appraiser mutually acceptable to such Capital Investment Member and the Managing Member, the cost of such appraiser to be divided equally between the Managing Member and such Capital Investment Member); or

(iii) liquidate all or any portion of such Capital Investment Member's interest, taking into account the factors set forth in Section 4.8 and making adjustments to the Capital Investment Members' Capital Account balances in accordance with Section 2.3(b), in the Company or make, subject to Section 4.4(b)(iii), a special distribution in respect of such interest to such Capital Investment Member where, with respect to such distribution, the Managing Member (x) shall reduce the Capital Account of such Capital Investment Member by the amount of the distribution, provided that in no event shall such Capital

Investment Member's Capital Account (as it would exist upon the deemed sale of all Company assets) be reduced to an amount which is less than zero and (y) may choose to distribute cash, cash equivalents and securities or any combination of the foregoing, in an amount (or having a value) equal to the Fair Market Value of such interest.

(c) Any Capital Investment Member shall be excused from continuing participation in the Company or participation in future investments of the Company if the following conditions are met:

(i) such Capital Investment Member reasonably determines in good faith that its continuing investment in the Company or participation in future investments of the Company would have a Material Adverse Effect on such Capital Investment Member;

(ii) such Capital Investment Member shall have given the Managing Member twenty (20) days' advance written notice of its intention to avail itself of the provisions of this Section 2.11(c); and

(iii) within ten (10) days of the giving of notice pursuant to subparagraph (ii) above, such Capital Investment Member shall have delivered to the Managing Member an opinion of counsel reasonably satisfactory to the Managing Member to the effect that its continuing participation in the Company or participation in future investments of the Company would result in a Material Adverse Effect on such Capital Investment Member.

If the foregoing conditions are met, the Managing Member shall cause the Capital Investment Member's interest in the Company to be sold by the Company in accordance with Section 2.11(b)(ii) and to dispose of any portion thereof remaining unsold in accordance with Section 2.11(b)(iii), or, at the option of such Capital Investment Member, excuse such Capital Investment Member from participation in any future investments of the Company. All costs and expenses of the Company in respect of the determinations and other matters referred to in this Section 2.11(c) shall be allocated to the Capital Account of the Capital Investment Member excused from the Company.

(d) A contribution or investment or a purchase of all or any portion of an interest in the Company by any Capital Investment Member shall have a "Material Adverse Effect" if such contribution, investment or purchase is substantially likely, when taken by itself or together with the contributions, investments or purchases by any other Capital Investment Members, (i) to result in a violation of a statute, rule or regulation of a federal, state or foreign governmental authority which might have a material adverse effect on a Portfolio Company, the Company or any Member, as the case may be (including that a Capital Member classified as a tax-exempt organization pursuant to Section 501(c)(3) of the Code will lose its status as such), (ii) to subject a Portfolio Company, the Company or any Member, as the case may be, to any material tax or governmental charge (not including any loss or deferral of an interest deduction pursuant to Section 163(j) of the Code, as

enacted by the Omnibus Budget Reconciliation Act of 1989, or any successor provisions thereto), or to any material filing or regulatory requirement (including the Investment Company Act) to which it would not otherwise be subject or materially increase such filing or requirement beyond what it would otherwise have been, or (iii) to result in any securities or other assets owned by the Company being deemed to be "plan assets" under ERISA. In addition, a Material Adverse Effect on such Capital Investment Member shall exist if any governmental authority or official having jurisdiction over the subject matter with respect to such Capital Investment Member has taken the position that contributions, investments, or participation in partnerships or limited liability companies similar to the Company would cause such Capital Investment Member to violate laws, regulations or judicial interpretations of the same to which it is subject.

2.12 Consent to Remedies.

Each of the Members hereby consents to the application to it of the remedies provided in Sections 2.9, 2.10 and 2.11 in recognition of the risk and speculative damages its default or failure to pay its capital commitment would cause the other Members and further agrees that no right, power or remedy available to the Managing Member in Section 2.9, 2.10 or 2.11 shall be exclusive and that each such right, power or remedy shall be cumulative and in addition to any other right, power or remedy available at law or in equity. No course of dealing between the Managing Member and any Defaulting Capital Investment Member, and no delay in exercising any right, power or remedy shall operate as a waiver or otherwise prejudice the exercise of such right, power or remedy.

2.13 In Kind Distributions.

For purposes of allocating Net Realized Capital Gains and Net Realized Capital Losses and in maintaining Capital Accounts hereunder, all unrealized gain or loss on any property distributed in kind shall be deemed realized as gain or loss from the sale or exchange of such property and allocated as provided in this ARTICLE II as of the date of distribution.

2.14 In Kind Contributions; Managing Member Investments.

For purposes of allocating invested capital and maintaining Capital Accounts hereunder, in the event that the Managing Member holds an Investment in Portfolio Securities after such Investment is made and then transfers such Investment in whole or in part to the Company, the total amount of such Investment shall be recorded on the books of the Company as a Capital Contribution for the respective accounts of the Capital Members which made such original Investment as if such Investment had been originally held by the Company. Any gain with respect to such Investment between the time of the Investment and the time of the transfer shall be treated

as a realized gain or a realized loss from the sale or exchange of such property and allocated to the Capital Accounts of the Capital Members and to the Capital Accounts of the Profit Members (to the extent that such gain exceeds the total amount of the Investment) as of the date of transfer in accordance with this ARTICLE II, as if the Investment had been originally held by the Company. Any loss with respect to such Investment between the time of the Investment and the time of the transfer shall belong entirely to the Capital Members. Any loss with respect to such Investment which is not transferred to the Company shall belong entirely to the Capital Members; provided, however, that any Net Realized Capital Loss with respect to any such Investment shall be taken into account for all purposes of this Agreement as if the Investment had been made by the Company and not by the Managing Member.

3.

PROFIT MEMBERS

3.1 Profit Members; Rights Thereof.

Listed on Exhibit A hereto are the names and addresses of those persons (the "Profit Members") who have been admitted to the Company in the sole discretion of the Managing Member as Profit Members and not as Capital Members and who shall have a right (i) to participate in the Profit Members Carried Interest Allocation in accordance with the terms and conditions of this Limited Liability Company Agreement to the extent of their respective Carried Interests as hereinafter defined, and (ii) to participate in distributions with respect to the Profit Members Carried Interest Allocation to the extent of their respective Vested Units as hereinafter defined.

3.2 Award and Vesting of Carried Interests.

(a) Each Profit Member shall be awarded participation units ("Units") by the Managing Member in the Profit Members Carried Interest Allocation in such amounts as the Managing Member may determine in its sole discretion (except as provided herein) and set forth in the appropriate table in Exhibit A with respect to each Investment made by the Company as described in Exhibit A. Units awarded to each Profit Member shall entitle such Member to a percentage (the "Carried Interest") of the Net Operating Profits and Net Operating Losses and Net Realized Capital Gains and Net Realized Capital Losses of the Company allocated to the Profit Members as determined pursuant to the provisions of this Agreement. Units awarded to each Profit Member hereunder shall vest with respect to that particular Profit Member (the "Vested Units") in forty (40) quarter-annual cumulative consecutive installments of three and three quarters percent (3.75%) each for the first five (5) years (the first twenty (20) installments) and one and one quarter percent

(1.25%) each for the second five years (the next twenty (20) additional installments) with the first four installments vesting on the first anniversary of the date of hire of each respective Profit Member (which date of hire shall be set forth with respect to each respective Profit Member in Exhibit A) and with each subsequent installment vesting in arrears at the end of each consecutive quarter-annual period following the first anniversary of each respective Profit Member's date of hire and with all such Units to have vested by the tenth anniversary of such date of hire provided that on each such vesting date each such Profit Member must then be a full-time employee of the Company and must be in compliance with, and not in default of, all of his or her obligations hereunder in order for such vesting to occur. Units awarded to each Profit Member hereunder which have not yet vested shall be referred to herein as Unvested Units (the "Unvested Units") with respect to that particular Profit Member.

(b) The Carried Interest of each Profit Member (including Former Profit Members to the extent that they have not forfeited their Vested Units as hereinafter provided) with respect to the allocation of Net Operating Profits and Net Operating Losses or Net Realized Capital Gains and Net Realized Capital Losses of the Company as determined pursuant to the provisions of this Agreement shall be determined at any time or from time to time for each Investment by dividing the number of Units owned by that particular Profit Member by the total number of Units owned by all Profit Members (including Former Profit Members to the extent that they have not forfeited their Units as hereinafter provided) and then multiplying the result by the Profit Members' Carried Interest Allocation for that particular Investment expressed as a decimal.

(c) That portion of the Profit Members Carried Interest Allocation with respect to Net Operating Profits and Net Operating Losses and Net Realized Capital Gains and Net Realized Capital Losses of the Company which is allocable to Unvested Units which have not been forfeited shall be added to the Capital Account maintained by the Company for each respective Profit Member but shall be held in suspense pending vesting of the Unvested Units for each respective Profit Member and shall not be distributed to such Profit Member except to the extent that such Unvested Units, with respect to which such portion of the Net Operating Profits and Net Operating Losses and Net Realized Capital Gains and Net Realized Capital Losses of the Company are being held in suspense, have vested. As of any distribution date, each Profit Member shall therefore be entitled to receive (subject to the terms and conditions of this Agreement) distributions from his or her Capital Account only to the extent of (i) his or her vested percentage (determined by dividing his or her Vested Units as of the distribution date by the total of his or her Vested and Unvested Units as of such date) of all amounts allocated to such Capital Account up to the distribution date less (ii) any prior distributions. Any Profit Member whose membership relationship with the Company is terminated as provided in Section 3.3 below (a "Former Profit Member"), shall forfeit all of his or her Units to the extent that such Units are unvested at the time of termination and shall forfeit that portion of his or her Capital Account, if any, which is at that time held in suspense pending vesting of such Unvested Units but shall retain that portion of his or her Capital Account, if any, which is at that time held with respect to Vested Units. Such Profit Member shall become a Former Profit Member and shall retain his or her Vested Units for the purpose of continuing to

participate in the Profit Members Carried Interest Allocation subject to the terms and conditions of this Limited Liability Company Agreement. A Profit Member whose membership relationship with the Company is terminated for Cause as hereinafter defined, shall immediately forfeit all of his or her Vested and Unvested Units and shall forfeit that portion of his or her Capital Account, if any, which is at that time held in suspense pending vesting of such Unvested Units, but shall retain that portion of his or her Capital Account, if any, which is at that time held with respect to Vested Units.

(d) No portion of the Profit Members Carried Interest Allocation with respect to Net Operating Profits and Net Operating Losses and Net Realized Capital Gains and Net Realized Capital Losses of the Company shall be allocated to Vested or Unvested Units which have been forfeited as hereinafter provided, but any such previously allocated portion (to the extent not previously distributed) shall be reallocated pro rata among the Vested and Unvested Units then belonging to the Profit Members and among the Vested Units then belonging to the Former Profit Members.

(e) Any Units belonging to any Former Profit Member must only be Units which were Vested Units belonging to such Former Profit Member at the time of his or her termination. No Units shall vest whatsoever in a Profit Member after his or her membership relationship with the Company has terminated for any reason whatsoever.

(f) Additional Units may be awarded from time to time by the Managing Member to one or more Profit Members and to one or more additional Profit Members but only with the approval of a Majority in Interest of the Profit Members. Furthermore, the Managing Member may reallocate Units (both vested and unvested) among the Profit Members but only with the approval of a Majority in Interest of the Profit Members provided that no Profit Member shall give up any Units (either vested or unvested) without his or her consent, except as herein provided with respect to termination). The Managing Member may accelerate the vesting of any Units for any one or more of the Profit Members or by fulfillment of such conditions as the Managing Member shall approve or otherwise, but only with the approval of a Majority in Interest of the Profit Members. The Managing Member may also attach conditions or restrictions to the award or vesting of Units with respect to any Profit Member but only with the approval of a Majority in Interest of the Profit Members.

(g) Special Allocations. Notwithstanding the foregoing, the Company may make a special allocation of any part or all of any Net Realized Capital Gains to one or more of the Members as provided in Section 2.7(g) above.

(h) Discontinuance of Fund Activities; Vesting. Upon the discontinuance of the activities of the Company, or the discontinuance by the Parent or any of its affiliates, of activities related to the funding of additional companies after the Company has been fully invested, and with the approval of a

Majority in Interest of the Profit Members, the Unvested Units belonging to the Profit Members shall all become Vested Units, provided, however, that the provisions of Sections 3.2(e) and 3.3 shall nonetheless control in the case of Former Profit Members.

3.3 Termination of Employment and Membership Status.

(a) In the event of termination of a Profit Member's employment and membership relationship with the Company (i) by the Profit Member voluntarily, or (ii) by the Managing Member with the concurrence of a Majority in Interest of the Profit Members but otherwise in its sole discretion for any reason or for no reason except for Cause as hereinafter defined, or (iii) by the death of the Profit Member, or (iv) by the Managing Member on account of the continuous disability of the Profit Member for a period of more than three (3) months (provided that the Managing Member determines in its sole discretion that such Profit Member cannot continue to fulfill his or her executive responsibilities to the Company on account of such disability and gives such Profit Member at least thirty (30) days notice of such determination), then in each such case such Profit Member's employment relationship with the Company and status as a Profit Member shall terminate forthwith and said Profit Member shall become a Former Profit Member and shall retain his or her Vested Units for purposes of determining his or her Vested Carried Interest at any time and from time to time with respect to the Profit Members Carried Interest Allocation, but said Former Profit Member shall forfeit all of his or her Units to the extent not vested at the time of termination. In the event of termination of the Profit Member's employment relationship and membership relationship with the Company by the Managing Member in its sole discretion for Cause as hereinafter defined, then such Profit Member's employment relationship with the Company and status as a Profit Member shall terminate forthwith and said Profit Member shall not become a Former Profit Member but rather shall forfeit all of his or her Units both vested and unvested and shall forfeit in its entirety such Profit Member's Vested Carried Interest and any and all other interests he or she may have in the Company or in any Capital Account held for the benefit of such Profit Member pursuant hereto except that said Profit Member shall retain that portion of his or her Capital Account, if any, which is at that time held with respect to Vested Units and shall also retain the right to participate to the extent of his or her Vested Units at the time of his or her termination in the Profit Members Carried Interest Allocation but only to the extent of any Net Realized Capital Gains with respect to Portfolio Company Securities owned by the Company at the time of his or her Termination for Cause. The status of a Former Profit Member and his or her relationship as such with the Company may also be terminated by the Managing Member in its sole discretion at any time for Cause as hereinafter defined, in which event the Former Profit Member shall immediately forfeit all of his or her Vested Units and shall forfeit in its entirety such Former Profit Member's Vested Carried Interest and any and all other interests he or she may have in the Company or in any Capital Account held for the benefit of such Former Profit Member pursuant hereto except that said Profit Member shall retain that portion of his or her Capital Account, if any, which is at that time held with respect to Vested Units. The names and addresses of all Former Profit Members shall be listed on Exhibit A, together with their respective Vested Units. Said

Former Profit Members shall be considered to be Profit Members for purposes of determining the allocation of net operating profits, net operating losses, capital gains and capital losses pursuant to Sections 2.5 and 2.6 and for no other purposes.

(b) Cause.

For purposes of this Agreement, termination of a Profit Member's employment relationship with the Company and status as a Profit Member or status as a Former Profit Member for Cause shall be determined in each instance in the sole discretion of the Board of Directors of the Managing Member and shall mean:

(i) conviction for, or plea of nolo contendere to, (A) a felony, whether or not business related, which may injure the business or reputation of the Company, the Managing Member or an Affiliate of either of them, or (B) a crime of moral turpitude;

(ii) theft or embezzlement of assets of the Company, the Managing Member or an Affiliate of either of them;

(iii) a material breach of any agreement between the Profit Member and the Company, the Managing Member or an Affiliate of either of them including, without limitation, any violation of the non-competition covenant hereinafter set forth in Section 3.5 (the "Non-Competition Covenant");

(iv) the willful and continued failure by the Profit Member to substantially perform his or her duties (other than as a result of incapacity due to physical or mental illness);

(v) gross neglect of duties or responsibilities as an employee of the Company or as a Member, or dishonesty or incompetence, or willful misconduct, which in any case seriously and adversely affects the business of the Company or of the Managing Member or of an Affiliate of either of them but only if there has been a good faith determination by the Board of Directors of the Managing Member that such neglect or misconduct or dishonesty or incompetence has occurred.

Termination for Cause can only be effected by the Board of Directors of the Managing Member by notice to the Member being terminated, which notice must be given within five (5) days following a hearing before the Board at which such Member will have an opportunity to answer the charges constituting Cause. The hearing before the Board can be held only after at least twenty (20) days' written notice to such Member (unless such Member agrees to a shorter period) of the date and time of the hearing and the nature of the charges constituting Cause. At the time of a notice of the hearing or any time thereafter but prior to the Board's decision following the

hearing, the Board may immediately relieve such Member of his or her duties and responsibilities hereunder pending its decision.

3.4 Change of Control.

(a) Upon a Change of Control, as hereinafter defined, the Company shall repurchase all, and not less than all, of the Units of each of the Profit Members and each of the Former Profit Members, at the individual election (an "Initial Election") of each Profit Member and each Former Profit Member (such election to be exercised within two (2) months of the date of the Change of Control) for an aggregate purchase price per Unit (the "Change of Control Repurchase Price per Unit") equal to twenty-two and one-half percent (22.5%) of the fair market value of the assets of the Company (determined as if the Company were a publicly traded entity) in excess of the Capital Members' Unrecovered Capital (as calculated in accordance with Section 3.4(b), the "Fair Market Value of the Company"), divided by the total number of Units (both vested and unvested) owned by the Profit Members and Former Profit Members at the time of the Change of Control.

(b) For purposes of determining the Change of Control Repurchase Price per Unit, the Fair Market Value of the Company (determined as if the Company were a publicly traded entity) shall be determined by an independent firm of investment bankers of national reputation (the "Appraiser"), the selection of which by either the Profit Members or the Managing Member is acceptable to both (i) a majority of all the members of the Board of Directors of the Managing Member and (ii) a Majority in Interest of the Profit Members. The Appraiser must be selected within one (1) month of the date of the Change of Control. If a majority of all the members of the Board of Directors of the Managing Member and a Majority in Interest of the Profit Members fail to select an Appraiser, then each shall select an independent firm of investment bankers of national reputation and those two firms shall select an Appraiser in no case more than two (2) months following the date of the Change of Control. The Fair Market Value of the Company shall be (i) the fair market value of the Company determined by the Appraiser as if the Company were a publicly traded entity at the time of the Change of Control (ii) less the Capital Members' Unrecovered Capital. In determining the Fair Market Value of the Company as if it were a publicly traded entity, the Appraiser shall give primary and substantial weight as a relevant frame of reference to the fair market value of the Company determined in accordance with the following methodology:

(i) The Appraiser shall first determine the consideration or value belonging or accruing to all the stockholders of the Parent as the ultimate owners of both (A) 100% of the Unrecovered Capital and the appropriate Capital Members' Allocation of the profits of the Company and (B) all the other assets of the Parent, at the time of the Change of Control, which consideration or value shall be deemed to be equal to the Common Stock Price, as hereinafter defined, multiplied by the number of shares of Common Stock of the Parent outstanding at the time of the Change of Control determined after giving effect to

(X) the conversion of all convertible securities of the Parent and (Y) the exercise of all options, whether or not exercisable, outstanding at such time.

(ii) The Appraiser shall then deduct from that consideration or value (A) all cash, cash equivalents and the amount of any invested cash held directly or indirectly by the Parent (including, without limitation, all Unrecovered Capital of the Company as appearing on the books of the Company) and (B) the fair market value of the Parent's other core businesses (excluding the Company and its Investments, Portfolio Companies and other activities) comprised of companies, tangible assets and operating divisions to the extent owned by the Parent (determined as if these other core businesses were, in the aggregate, a separate publicly traded entity), the fair market value of which shall also be determined by the Appraiser as of the time of the Change of Control. The purpose of this calculation is to determine the value of the Company considered as if it were a publicly traded entity at the time of the Change of Control by determining that portion of the value of the Parent as measured by the Common Stock Price (less cash, cash equivalents and the amount of any invested cash including the Unrecovered Capital of the Company and the appraised value of the Parent's interest in other core businesses) which reflects the value of all the Company's Internet-related Investments, Portfolio Companies and activities which have been invested in by the Company determined as if the Company were a publicly traded entity owned by the stockholders of the Parent immediately prior to the time of the Change of Control with the remainder of the value of the Parent as measured by the Common Stock Price reflecting the value of the Parent's other core businesses (excluding the Company and its Investments, Portfolio Companies and other activities) determined as if those other core businesses were a separate publicly traded entity also owned by the stockholders of the Parent immediately prior to the time of the Change of Control.

The Appraiser must first determine the Fair Market Value of the Company determined as if it were a publicly traded entity by applying the methodology set forth above, since this is the best available evidence of the actual value of the Company as if it were a publicly traded entity at the time of the Change of Control to the extent that the Common Stock Price reflects the Fair Market Value of the Company. Thereafter, the Appraiser, in its discretion, may also (but need not) consider and take into account the following criteria in descending order of importance:

(x) The fair market value of other publicly traded entities dealing primarily in Internet-related investments and activities of a kind similar to those of the Company; and

(y) The Fair Market Value of the Company (determined as if the Company were a publicly traded entity) taken as a whole after taking into account the future earnings potential, business prospects of all its various Internet-related investments and activities taken as a whole, with particular emphasis on the Company's business plan and strategy for implementing that plan, taken as a whole, and the general market conditions in the venture

capital industry for Internet-related investments and activities of the kind owned by the Company.

In determining the Fair Market Value of the Company, the Appraiser in no event shall determine the individual value of each of the Portfolio Company Securities or Investments of the Company and then add these values together because such a methodology would fail to take into account the overall business plan and strategy of the Company to build a business comprised of Internet-related investments and activities which complement and support each other as parts of an overall strategy for the development of an Internet business, but must in all events consider the Fair Market Value of the Company taken as a whole.

(c) Upon a Change of Control, as hereinafter defined, the Unvested Units belonging to the Profit Members shall all become Vested Units, provided, however, that the provisions of Sections 3.2(e) and 3.3 shall nonetheless control in the case of Former Profit Members.

(d) The Company, the Managing Member, and the Parent shall be jointly and severally liable to the Profit Members for the payment of the Change of Control Repurchase Price per Unit with respect to the Company's repurchase of the Vested Units pursuant to this Section 3.4.

(e) Upon the consummation of the repurchase by the Company of any of the Units of the Profit Members upon a Change of Control pursuant to the terms of this Section 3.4, the Managing Member may, in its sole discretion, and without the approval of the Profit Members (i) retire the repurchased Units or (ii) admit additional Profit Members in accordance with Section 7.3 hereof and award to the additional Profit Members any or all of the repurchased Units.

(f) For purposes of this Agreement, a "Change of Control" shall be deemed to have occurred when there has occurred a change of control of the Parent (i) which has not been approved by a majority of all the members of the Board of Directors of the Parent, or (ii) which has been approved by a majority of all the members of the Board of Directors of the Parent but which has not been approved by a Majority in Interest of the Profit Members and which is likely by its terms to have a material adverse effect upon the business and prospects of the Company as currently, or planned to be, conducted, 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 David S. Wetherell of beneficial ownership, directly or indirectly, of securities or interests in the Parent which represent more than thirty percent (30%) of the combined voting power of the Parent's outstanding securities. For purposes of this Agreement, a "Change of Control" shall also be deemed to have occurred when there has occurred a change of control of the Managing Member (i) which has not been approved by a majority of all the members of the Board of Directors of the Parent, or (ii) which has

been approved by a majority of all the members of the Board of Directors of the Parent but which has not been approved by a Majority in Interest of the Profit Members and which is likely by its terms to have a material adverse effect upon the business and prospects of the Company as currently, or planned to be, conducted, and which change of control in either event involves (i) the acquisition by any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) of beneficial ownership, directly or indirectly, of securities or interests in the Managing Member which represents more than fifty percent (50%) of the combined voting power of the Managing Member's outstanding securities, or (ii) a sale of all or substantially all of the assets of the Company or of the Managing Member, or (iii) either the merger or consolidation of the Company or the Managing Member with another entity which is the surviving entity of such merger or consolidation provided that such other entity, prior to such merger or consolidation, was not controlled directly or indirectly by the Parent.

(g) All fees and expenses associated with the appraisal process set forth above shall be paid by the Parent.

(h) Each Profit Member or Former Profit Member making an Initial Election to have his or her Units repurchased by the Company as provided in Section 3.4(a) above following a Change of Control shall have one (1) month following the determination of the Change of Control Repurchase Price per Unit as provided above to reconsider and withdraw such Initial Election. Any withdrawal of an Initial Election must be made by the Profit Member or Former Profit Member by written notice to the Company within said one (1) month period. In the event any such Initial Election is not withdrawn in a timely manner, then it shall become final and binding on the parties and the Company shall proceed to repurchase the Units owned by such Profit Member or Former Profit Member within two (2) months following the date of the determination of the Change of Control Repurchase Price per Unit as provided above. In the event that any Profit Member or Former Profit Member fails to make a timely Initial Election (except for reasons beyond his or her control) to have his or her Units repurchased by the Company as provided in Section 3.4(a) above following a Change of Control, such right shall immediately become null and void and shall be of no further force or effect with respect to that Change of Control, but said Profit Member or Former Profit Member shall retain his or her rights hereunder with respect to any other or future Change of Control.

3.5 No Recruitment or Solicitation.

Each Profit Member agrees that during his or her employment by the Company and while he or she is a Profit Member and for a period of three (3) years following termination of his or her employment and membership relationship with the Company (i) by the Profit Member voluntarily, or (ii) by the Managing Member for Cause, such Profit Member will not, directly or indirectly: (A) recruit, solicit or induce, or attempt to induce, any employee or consultant of the Parent or of the Managing Member or of the Company or of any Portfolio Company or of any Affiliate of any

of them to terminate his or her employment with, or otherwise cease any relationship with, the Parent or the Managing Member or the Company or any Portfolio Company or any Affiliate of any of them; or (B) solicit, divert, take away, or attempt to divert or take away, any investment opportunity with respect to any Portfolio Company or any investment opportunity with respect to any prospective investment or prospective portfolio company which the Managing Member or the Company contacted or solicited during such Profit Member's employment relationship and status as a Profit Member with the Company. If any restriction set forth herein is found by any court to be unenforceable because it extends for too long a period of time, or over too great a range of activities, or over too broad a geographic area, the restriction shall be interpreted to extend only over the maximum period of time, range of activities, or geographic area which the court finds to be enforceable. Each Profit Member acknowledges and agrees that the restrictions contained in this Section 3.5 are necessary for the protection of the business and goodwill of the Parent and of the Managing Member and of the Company and of the Portfolio Companies and of the Affiliates of any of them and are considered by such Profit Member to be reasonable for such purpose and that his or her interest in the Company is being received partly in consideration for the foregoing non-competition covenant.

3.6 Non-Disclosure and Invention Assignment Agreement.

Each Profit Member shall enter into a Non-Disclosure and Invention Assignment Agreement with the Company in the form of Exhibit B attached hereto.

3.7 Capital Accounts.

A Capital Account shall be established on the books of the Company for each Profit Member. Each Profit Member's Capital Account shall be increased or decreased to reflect allocations of Net Operating Profits, Net Operating Losses, Net Realized Capital Gains and Net Realized Capital Losses and distributions of Cash Flow and Capital Proceeds, as provided in ARTICLE II and ARTICLE IV hereof.

4.

DISTRIBUTIONS; WITHHOLDING; VALUATION

4.1 Withdrawal of Capital.

Except as otherwise set forth in this Agreement, no Capital Member shall have the right to withdraw capital from the Company or to receive any distribution or return of its Capital Contribution.

4.2 Distributions of Cash Flow.

Subject to the terms and conditions of ARTICLE III and ARTICLE IV, Cash Flow for each Fiscal Year (excluding Cash Flow attributed to Unvested Carried Interests but including Cash Flow for prior Fiscal Years attributable to Carried Interests that have vested during the current Fiscal Year) shall be distributed to all of the Members in proportion to their respective allocations of Net Operating Profits and Net Realized Capital Gains as determined pursuant to ARTICLE II and ARTICLE III; provided, however, that Cash Flow may first be applied to the payment of expenses incurred by the Company in the sale or other disposition of Portfolio Securities or any other Maintenance Expenses with respect to which the Company does not receive sufficient cash to pay such expenses. In the event the Company is unable, for any reason, to pay any portion of such expenses, the amount not paid shall be carried forward, as a priority item, without interest, to be paid out of Cash Flow or on liquidation. Final distributions of Cash Flow for each Fiscal Year, determined in accordance with the provisions of this Section 4.2, shall be made as soon as practicable following such Fiscal Year. In the discretion of the Managing Member, interim distributions of Cash Flow for a Fiscal Year may also be made at any time during such Fiscal Year. The Managing Member shall in all events make available to the Profit Members by distribution or loan (with appropriate security) or otherwise sufficient cash to pay all taxes due and payable by the Profit Members with respect to the activities of the Company.

4.3 Distributions of Capital Proceeds.

Subject to the terms and conditions of ARTICLE III and ARTICLE IV, Capital Proceeds arising during a Fiscal Year shall be distributed in the same manner and subject to the same terms and conditions as provided in Section 4.2 above as soon as practicable and in no event later than three (3) months after the close of such Fiscal Year, to all of the Members as determined pursuant to ARTICLE II and ARTICLE III.

4.4 Additional Distribution Provisions.

(a) Distributions of Property. Except as provided in subparagraph (b) below, any property other than cash received with respect to any Portfolio Security shall be distributed to the Members as provided in Sections 4.2 and 4.3. Upon a distribution of such property, the property shall be valued in accordance with Section 4.8 and such property shall be deemed to have been sold at such value and the proceeds of such sale shall be deemed to have been distributed to the

Members receiving such property for all purposes of this Agreement. The Managing Member shall provide ten (10) days' prior notice in writing to the Members of any distribution of property other than cash.

(b) Distribution of Securities and other Property in Kind.

(i) The Managing Member may in its discretion, and shall upon the affirmative vote of a Majority in Interest of the Profit Members, distribute to the Members (but only to the extent vested and only in accordance with Sections 2.5, 2.6, 2.7, 3.1, 3.2, 3.3, 4.2, 4.3 and 4.4), Portfolio Securities which are Marketable Securities and which are not subject to any restrictions on transferability (except as provided in Section 4.4(c) below), including restrictions pursuant to Rule 144 (except Rule 144(k)) under the Securities Act (with the exception of Portfolio Securities distributed in connection with a Final Distribution). Upon any distribution of securities, the securities distributed shall be valued in accordance with Section 4.8 and such securities shall be deemed to have been sold at such value and the proceeds of such sale shall be deemed to have been distributed to the Members receiving them for all purposes of this Agreement. An amount of the securities distributed no greater in value than the federal income tax basis of all securities included in the distribution (disregarding any adjustment under Section 734 or 743 of the Code) shall be distributed first to each Member as determined pursuant to Sections 2.5, 2.6, 2.7, 3.1, 3.2, 3.3, 4.2, 4.3 and 4.4 as of the date of distribution. The balance, if any, of the securities included in the distribution shall then be distributed to the Members also in accordance with Sections 2.5, 2.6, 2.7, 3.1, 3.2, 3.3, 4.2, 4.3 and 4.4.

(ii) In connection with any distribution of Portfolio Securities which are Marketable Securities and which are not subject to any restrictions on transferability (except as provided in Section 4.4(c) below) including restrictions pursuant to Rule 144 (except Rule 144(k)) under the Securities Act, the Managing Member shall offer to all Members the right to receive at their election all or any portion of such distribution in the form of the proceeds of the disposition of the securities that otherwise would have been distributed to such Members, and will use its best efforts so to dispose of such securities for the benefit of any electing Member. In such event, (a) such electing Members shall be deemed to receive cash equal to the Fair Market Value of the Marketable Securities they otherwise would have received and (b) such electing Members will bear pro rata all the expenses (including, without limitation, underwriting costs) of such disposition.

(iii) If any Member would otherwise receive a distribution of an amount of any securities that is substantially likely to cause such Member to own or control in excess of the amount of such securities that it may lawfully own or control or which, by reason of any legal or contractual restriction, the Managing Member may not distribute to such Member, the Managing Member shall, at the written request of such Member and to the extent it is practicable to do so, dispose of all or any portion of such securities and distribute

the proceeds of such disposition to such Member; provided that such Member (a) shall be deemed to receive cash equal to the Fair Market Value of the securities they otherwise would have received and (b) shall bear pro rata all of the expenses (including, without limitation, underwriting costs) of such disposition.

(c) Voting Agreement; Right of First Refusal. In connection with any distribution of Portfolio Securities by the Company or by the Managing Member, each Member receiving any such securities shall, prior to and as a condition to receiving any such distribution, enter into a Voting Agreement and Right of First Refusal Agreement with the Managing Member in form satisfactory to the Managing Member in all respects to the effect that each such Member shall receive title to any such distributed Portfolio Securities but that the Managing Member shall retain the right to vote such Portfolio Securities in its sole discretion in all instances and shall also retain a right of first refusal with respect to the disposition of such securities. If such Member shall thereafter die or seek to dispose of any part or all of such distributed Portfolio Securities for any reason whatsoever and whether by operation of law or otherwise the Managing Member shall have the right to exercise its right of first refusal as set forth in said Agreement with respect to the disposition of such distributed Portfolio Securities substantially exercisable as follows.

(i) If at any time such Member or transferee wishes to transfer (as hereinafter defined) any of such distributed shares of Portfolio Securities, other than as provided for in Section 4.5(c) of this Agreement, the Member or transferee shall first give written notice to the Managing Member, stating the nature of the proposed transfer, the name and address of the proposed transferee or transferees, the number of shares to be transferred (the "Offered Shares"), the price to be paid therefor and all the terms and conditions of the proposed transfer, and shall forthwith offer in writing to transfer such shares to the Managing Member for the same consideration and on the same terms and conditions and the Company shall have the irrevocable and exclusive first option ("Right of First Refusal"), but not the obligation, to acquire from the Member or transferee all or any portion of the Offered Shares on the same terms and conditions.

(ii) Within thirty (30) days following delivery of the Member's or transferee's notice, as specified above, the Managing Member shall give written notice to the Purchaser, stating whether or not the Managing Member elects to exercise its Right of First Refusal as to all or any part of the Offered Shares. Failure by the Managing Member to give this notice within the 30 day period shall be deemed to be an election by it not to exercise its Right of First Refusal for the Offered Shares.

(iii) Within ten (10) days after the date of the Managing Member's notice of exercise of its Right of First Refusal as specified above, the Member or transferee, or his or her estate, shall tender to the Managing Member at its principal office the certificate or certificates representing that portion of the Offered Shares which the Managing Member has elected to acquire, duly endorsed in blank by the Member or transferee or with duly endorsed stock

powers attached thereto, all in form suitable for the transfer of such Offered Shares to the Managing Member and the Managing Member shall pay to the Member or transferee the purchase price at the times and upon the terms and conditions proposed to be paid by the proposed third-party transferee, as set forth in the Member's or transferee's notice.

(iv) If the Member's or transferee's notice shall be duly given, and the Managing Member shall fail to purchase all of the Offered Shares by the exercise of its Right of First Refusal, then, but only then, the Member or transferee shall be free to transfer the Offered Shares, but only for the price and upon the terms and conditions set forth in the Member's or transferee's notice, and only to the transferee or transferees named therein, and only if said transfer is consummated within sixty (60) days after the date of the Member's or transferee's notice to the Managing Member. If the Offered Shares shall not be so transferred by the Member or transferee within the period specified above, then the transfer may not be made and the Offered Shares shall remain subject to the terms of the Voting Agreement and the Right of First Refusal Agreement in the same manner as if the Purchaser's or transferee's notice had not been given.

(v) If the proposed disposition is for no consideration or for a nominal consideration, then the Right of First Refusal shall be exercisable by the Managing Member as aforesaid except that the purchase price shall be Fair Market Value as determined pursuant to Section 4.8. If the proposed disposition is in a public market, then the Member's or transferee's notice may state that the proposed disposition will be made at prevailing market prices and may omit the name or names of the proposed transferee or transferees, and if the Managing Member elects to exercise its Right of First Refusal as to all or any part of the offered shares, then the purchase price shall be Fair Market Value as determined pursuant to Section 4.8 on the date the Managing Member shall give written notice to the Purchaser electing to exercise its Right of First Refusal as to all or any part of the offered shares. The rights of the Managing Member with respect to the Voting Agreement or the Right of First Refusal Agreement shall be assignable by the Managing Member in its sole discretion. Any certificate representing shares of Portfolio Securities subject to the Voting Agreement and/or the Right of First Refusal Agreement shall contain a legend satisfactory to the Managing Member in all respects.

(d) Compliance with Securities Laws. The Managing Member may cause certificates evidencing any securities to be distributed to be imprinted with legends as to such restrictions on transfers that it may deem necessary or appropriate, including legends as to applicable federal or state securities laws or other legal or contractual restrictions, and may require any Member to which securities are to be distributed to agree in writing that such securities will not be transferred except in compliance with (i) such restrictions and (ii) applicable law.

(e) Reserves; 125% of Contributed Capital Retained. The Managing Member shall have the right, in its sole discretion to establish reserves at any time or from time to time with

respect to any anticipated losses with respect to any Investment in any Portfolio Company. Furthermore, no distributions shall be made hereunder (except for distributions to the Members for the sole purpose of enabling such Members to pay taxes) until the Managing Member has determined with respect to each distribution (other than the Final Distribution) that the Company shall retain, after any such proposed distribution, Investments and other assets valued on its books in excess of 125% of the Unrecovered Capital of its Capital Members.

(f) Borrowings. The Company shall not borrow to make distributions to the Members or for any other purpose.

(g) Maintenance Expenses. All Maintenance Expenses shall be paid by and shall be the responsibility of the Company which shall be reimbursed therefore by contributions for this purpose made by the Managing Member who shall receive a special allocation with respect to such contributions and with respect to the payment of such Maintenance Expenses. Maintenance Expenses shall not be paid out of the Net Operating Profits or Net Realized Capital Gains or Cash Flow or Capital Proceeds or Capital Contributions of the Company except as aforesaid.

(h) Distribution of Unrecovered Capital. The Managing Member shall have the right, in its sole discretion, and prior to a Final Distribution, to distribute all or any part of amounts in the Capital Accounts of Capital Members up to the amount of Capital Contributions less any Returns of Capital and less any distributions of Unrecovered Capital previously made to the Capital Members pursuant to this Section 4.4(h).

4.5 Other Distributions.

Any distributions not included in Sections 4.2, 4.3, 4.4 or 10.3 shall be made in cash to the Members in accordance with Sections 2.5, 2.6, ARTICLE III and ARTICLE IV hereof.

4.6 Withholding.

Each Member hereby authorizes the Company to withhold and to pay over, or otherwise pay, any withholding or other taxes payable by the Company as a result of such Member's status as a Member hereunder. If and to the extent that the Company shall be required under applicable law to withhold or pay any such taxes with respect to any Member or as a result of any Member's participation in the Company, such Member shall be deemed for all purposes of this Agreement to have received a distribution from the Company in the amount of such tax on the last day of the taxable year for which the tax is withheld or paid or, if earlier, on the last day on which such Member owned its interest in the Company. The amount of any distribution to which such Member would otherwise be entitled shall be reduced by the amount of such deemed distribution. To the extent that the aggregate of such distributions to a Member for any month exceeds the

distributions to which such Member is entitled for such period, the amount of such excess shall be repaid by such Member to the Company within 30 days of the end of such month. The withholdings referred to in this Section 4.6 shall be made at the maximum applicable statutory rate under the applicable tax law unless the Managing Member otherwise decides or unless the Managing Member shall have received an opinion of counsel, satisfactory to the Managing Member, to the effect that a lower rate is applicable, or that no withholding is applicable.

4.7 No Restoration by the Managing Member.

Except as provided by law or Sections 8.3 or 10.3, the Managing Member shall not be obliged at any time to repay or restore to the Company or any Member all or any part of any distributions made to the Managing Member by the Company.

4.8 Valuation.

For all purposes of this Agreement, the Fair Market Value of securities and other property of the Company shall be determined as follows:

(a) Marketable Securities shall (i) if traded on a national securities exchange, be valued at their last sales price on such exchange on which such Marketable Securities shall have traded on the last trading day on which such Marketable Securities were traded immediately preceding the date of determination, or (ii) if the trading of such Marketable Securities is reported through the National Association of Securities Dealers Automated Quotation System, such Marketable Securities shall be valued at the last sale price as shown by the National Association of Securities Dealers Automated Quotation System on the last trading day on which such Marketable Securities were traded immediately preceding the date of determination.

(b) All property other than Marketable Securities shall be valued by the Managing Member in good faith. Factors considered in valuing individual securities shall include, but need not be limited to, purchase price, estimates of liquidation value, the price at which Members receiving a distribution of securities will be able to sell them and the time at which such securities may be sold, the existence of restrictions on transferability, prices received in recent significant private placements of securities of the same issuer, prices of securities of comparable public companies engaged in similar businesses and changes in the financial condition and prospects of the issuer.

(c) All Portfolio Securities shall be valued by the Managing Member at the time of any distribution pursuant to ARTICLE IV in order to determine whether the Fair Market Value of any Portfolio Security is less than 100% of the Capital Contributions allocable thereto for purposes of Section 4.4.

(d) Upon any valuation of securities or other property of the Company pursuant to Section 4.8, the Managing Member shall notify each member of the Advisory Committee in writing of the Fair Market Value of such securities or other property as determined by the Managing Member in accordance with the provisions of Section 4.8. The Advisory Committee shall, not more than ten Business Days after the receipt of such notice from the Managing Member, furnish notice in writing to the Managing Member stating whether or not the Advisory Committee has approved or has not approved the Managing Member's valuation. If the Advisory Committee approves such valuation (or shall have failed to provide the Managing Member with the aforementioned notice within such ten Business Days), such valuation shall constitute the Fair Market Value of such property for all purposes hereof. If the Advisory Committee does not approve such valuation, and if the Managing Member and the Advisory Committee cannot agree on a valuation within five Business Days (or such other period of time as the Managing Member and the Advisory Committee may determine) of the date on which the Committee advises the Managing Member that it has not approved such valuation, the Managing Member and the Advisory Committee shall jointly select an independent appraiser who shall be retained to determine, as promptly as practicable, the Fair Market Value of the property to be distributed. The Company shall pay the expenses of such appraiser.

(e) The Managing Member shall make no distribution to the Members pursuant to ARTICLE IV until the Fair Market Value of all property valued in connection with such distribution has been determined in accordance with this Section 4.8.

5.

MANAGEMENT; PAYMENT OF EXPENSES

5.1 Description of Managing Member.

CMG@Ventures, Inc., a Delaware corporation, is the Managing Member of the Company.

5.2 Management by the Managing Member.

Subject in all instances to approval, disapproval, change, amendment or modification by the Board of Directors of the Managing Member, the management, policy and operation of the Company shall be vested in a Majority in Interest of the Profit Members, who shall perform all acts and enter into and perform all contracts and other undertakings which they deem necessary or advisable in their sole discretion to carry out any and all of the powers and purposes of the Company. Without limiting the foregoing general powers and duties, and except as is otherwise expressly set forth herein, a Majority in Interest of the Profit Members (subject to the power and

authority of the Board of Directors of the Managing Member as aforesaid) is hereby authorized and empowered on behalf of the Company:

(a) to perform, or arrange for the performance of all management and administrative services necessary for the operations of the Company;

(b) to identify investment opportunities for the Company, negotiate and structure the terms of such Investments, and arrange additional financing needed to consummate such Investments and thereafter to deal with such Investments, and to restructure, amend, terminate, vote, or dispose of such Investments in all respect;

(c) except as otherwise provided in this Agreement, to invest the assets of the Company in the securities of any organization, domestic or foreign, without limitation as to kind and without limitation as to marketability of the securities, and pending such Investment and the disposition of the proceeds thereof, to invest the assets of the Company in Temporary Investments;

(d) to exercise all rights, powers, privileges and other incidents of ownership with respect to the Portfolio Securities, including, without limitation the voting of such Securities, the approval of a restructuring of an Investment, participation in arrangements with creditors, the institution and settlement or compromise of suits and administrative proceedings, and other similar matters;

(e) to sell, transfer, liquidate or otherwise terminate Investments made by the Company or by the Managing Member;

(f) to employ or consult brokers, accountants, attorneys, or specialists in any field of endeavor whatsoever ("Consultants"), including Consultants who may be Members;

(g) to deposit any funds of the Company in any money market fund or in any bank or trust company having capital in excess of $100,000,000 and to entrust to such bank or trust company any of the securities, monies, documents and papers belonging to or relating to the Company; provided, however, that from time to time, in order to facilitate any transaction, any of the said securities, monies, documents and papers belonging to or relating to the Company may be deposited in and entrusted to any brokerage firm that is a member of the New York Stock Exchange and has capital in excess of $100,000,000;

(h) to determine, settle and pay all expenses of and claims against the Company and make Capital Calls for the Company, and sell and liquidate Investments or make withdrawals from reserves or take any other actions consistent with Section 5.4 for the payment of Maintenance Expenses as needed to do so with the understanding that all Maintenance Expenses are to be paid by the Company and reimbursed to the Company by the Managing Member and are not to be paid out of the Net Operating Profits or Net Realized Capital Gains or Cash Flow or Capital Proceeds or

Capital Contributions of the Company, and, in general, to make all accounting, tax and financial determinations and decisions, including any election under federal and state tax laws and to act as the "tax matters partner" of the Company, as such term is defined in Section 6231(a)(7) of the Code, and to exercise any authority permitted the tax matters partner under the Code in accordance with Section 12.12;

(i) to provide bridge financing to Portfolio Companies;

(j) to admit an assignee of all or any portion of a Capital Investment Member's interest in the Company to be a Substitute Capital Investment Member in the Company pursuant to and subject to the terms of Section 7.4;

(k) to enter into, make and perform all contracts, agreements and other undertakings as may be determined by the Managing Member in its sole discretion to be necessary or advisable or incident to the carrying out of the foregoing objectives and purposes, the execution thereof by the Managing Member to be conclusive evidence of such determination;

(l) to execute all other instruments of any kind or character which the Managing Member, in its sole discretion determines to be necessary or appropriate in connection with the business of the Company and which are not inconsistent with any other provisions of this Agreement, the execution thereof by the Managing Member to be conclusive evidence of such determination; and

(m) to interpret and construe the terms, conditions and other provisions of this Limited Liability Company Agreement or any agreement entered into pursuant hereto, such construction or interpretation to be binding on all parties.

5.3 Powers of Capital Investment Members.

(a) The Capital Investment Members shall not participate in the control of the Company and shall have no authority whatsoever with respect to the management of the Company and shall not act for or bind the Company in any respect.

(b) In addition to any other restrictions applicable to Capital Investment Members set forth in this Agreement and notwithstanding any other provisions thereof, no Capital Investment Member (and no officer, director or equivalent non-corporate official of a Capital Investment Member that is not an individual) shall vote on the removal of the Managing Member, except to the extent permitted by Section 7.6, or vote on the admission of additional Managing Members, except to the extent permitted by Section 7.1.

5.4 Fees and Expenses.

(a) The Managing Member shall pay all fees and expenses incurred with respect to the business of the Company ("Maintenance Expenses") (which payments shall all be specially allocated to the Capital Account of the Managing Member), including, without limitation:

(i) out-of-pocket expenses incurred and fees paid by the Company or the Managing Member in connection with the formation of the Company and the offering and distribution of interests therein to the Capital Investment Members and the Profit Members;

(ii) expenses which relate to office space, supplies and other facilities of its business, and salaries, fees and expenses of officers, employees, consultants, attorneys and accountants, investment bankers, and similar outside advisors of the Company or the Managing Member;

(iii) expenses of the Company associated with the acquisition (whether or not consummated) of Portfolio Securities, where such expenses are not paid by the applicable Portfolio Company;

(iv) out-of-pocket expenses incurred in connection with maintaining (a) qualification to do business of the Company or of the Managing Member in the Commonwealth of Massachusetts and elsewhere, (b) the specified office at which records which are required to be maintained under the Delaware Act are kept and (c) the registered agent in the State of Delaware;

(v) out-of-pocket costs of holding or selling Portfolio Securities or of acquiring or holding Temporary Investments (including all day-to-day operating expenses and overhead expenses of the Managing Member), including recordkeeping expenses and, with respect to Temporary Investments only, finders', placement, brokerage and other similar fees;

(vi) out-of-pocket costs of reporting obligations of the Members;

(vii) any taxes, fees or other governmental charges levied against the Company or on its income or assets or in connection with its business or operations;

(viii) all costs of litigation and the amount of any judgments or settlements paid in connection therewith (including damages or equitable remedies of Members with respect to remedies exercised by the Managing Member in good faith pursuant to Sections 2.10 or 2.11) and matters that are the subject of indemnification pursuant to Section 8.2 and costs of winding-up and liquidating the Company;

(ix) the reasonable expenses of the Advisory Committee; and

(x) the expenses of any appraiser payable by the Company pursuant to Section 4.8(e).

(xi) all other expenses of the Company reasonably determined by the Managing Member to be reasonably related to the business and operation of the Company as set forth herein.

Maintenance Expenses shall be paid by the Company and such payments shall be reimbursed to the Company by the Managing Member. Contributions by the Managing Member to the Company for the purpose of paying Maintenance Expenses shall be specially allocated to the Capital Account of the Managing Member and all payments of Maintenance Expenses shall also be specially allocated to the Capital Account of the Managing Member. Under no circumstances shall Maintenance Expenses be paid out of the Net Operating Profits or Net Realized Capital Gains or Cash Flow or Capital Proceeds or Capital Contributions of the Company except as provided in the preceding two sentences.

(b) Break-Up Fees. Any Break-Up Fee shall be added to the income of the Company.

(c) Transaction Fees; Special Fees. Any transaction fee or Special Fee of any kind shall also be added to the income of the Company.

(d) Consulting Fees. Management or consulting fees or director fees received from Portfolio Companies shall also be added to the income of the Company.

5.5 The Advisory Committee.

(a) Each year a Majority in Interest of the Profit Members shall select an Advisory Committee, which shall consist of not more than six (6) persons.

(b) The functions of the Advisory Committee will be (i) to advise the Managing Member on such matters, including investment advice, about which the Managing Member may from time to time, in its sole discretion, determine to consult the Advisory Committee, (ii) to review, in its discretion, valuations of Company assets in accordance with Section 4.8 or otherwise, (iii) to make recommendations on compensation issues, (iv) to advise the Managing Member concerning the creation of any reserves with respect to Investments in Portfolio Companies pursuant to Section 4.4(d), and (v) to review and consult with the Board of Directors of the Managing Member concerning any potential conflicts of interest of the Managing Member, including: (A) any Portfolio Company in which the Company has an interest affecting a material financial transaction (other than pursuant to Section 6.2) with the Managing Member or any

Affiliate thereof; (B) the Company investing in a Portfolio Company which is an Affiliate of the Managing Member; (C) the Managing Member or an Affiliate thereof directly purchasing any securities of any Portfolio Company in which the Company has invested, other than purchases pursuant to Section 6.2; (D) any other action which would give rise to a potential conflict of interest between the Company and the Managing Member or any Affiliate thereof. Neither the Advisory Committee nor any member thereof shall have the power to bind or act for or on behalf of the Company in any manner and in no event shall a member of the Advisory Committee be considered a Managing Member of the Company by agreement, estoppel or otherwise as a result of the performance of his or her duties hereunder or otherwise. The reasonable expenses of the Advisory Committee shall be paid by the Company as Maintenance Expenses. In addition, the Company shall indemnify the members of the Advisory Committee to the extent provided in Section 8.2 hereof. No member of the Advisory Committee shall be entitled to any fee or honorarium in connection with his or her service thereon.

(c) The Advisory Committee shall act by the vote of a Majority in Interest of the Profit Members who are members of the Committee. Except as expressly provided herein, the recommendations of the Advisory Committee shall be advisory only and shall not obligate the Managing Member to act in accordance therewith. Any member of the Advisory Committee may resign by giving to the Managing Member and the other members of the Advisory Committee thirty (30) days' prior written notice. Any vacancy in the Advisory Committee, whether created by such a resignation or by the death of any member, shall promptly be filled as provided in Section 5.5(a).

(d) The Managing Member shall supply the Advisory Committee with all such information and data as it shall request to enable the Advisory Committee to reach an informed judgment.

5.6 Conflicts of Interest.

No contract or transaction between the Managing Member or the Company and one or more of its Members or Affiliates, or between the Managing Member or the Company and any other limited liability company, corporation, partnership, association or other organization in which one or more of its Members or affiliates are directors, officers, members or partners or have a financial interest, shall be void or voidable solely for this reason, or solely because the Member or affiliate is present at or participates in any meeting of directors, members, managers or partners which authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose, if:

(a) the material facts as to his, her or their interest and as to the contract or transaction are disclosed or are known to the directors, the managers, the members or the partners and the directors, the managers, the members or the partners authorize in good faith the contract or transaction by a vote sufficient for such purpose without counting the vote of the interested director,

managers, members or partner even though the disinterested directors, managers, members or partners be less than a quorum; or

(b) the material facts as to his, her or their interest and as to the contract or transaction are disclosed or are known to the partners, the managers, the members or directors entitled to vote thereon, and the contract or transaction is specifically approved in good faith by a vote of the partners, the managers, the members or the directors; or

(c) the contract or transaction is fair to the Managing Member or the Company or its or their Affiliates as of the time it is authorized, approved or ratified by the directors, the managers, the members or the partners.

Interested directors, managers, members or partners shall be counted in determining the presence of a quorum at a meeting of the partners, managers, members or directors which authorizes such contract or transaction. No director, member, manager, partner or officer shall be liable to account to the Managing Member or the Company for any profit realized by him or her from or through such contract or transaction solely by reason of the fact that he or she or any other limited liability company, corporation, partnership, association or other organization which he or she is a director, member, manager, partner or officer, or has a financial interest, was interested in such contract or transaction.

6.

OTHER ACTIVITIES OF MEMBERS

6.1 Commitment of Managing Member.

The Managing Member hereby agrees to use its best efforts in connection with the purposes and objectives of the Company and to devote to such purposes and objectives such of its time and resources as shall be necessary for the management of the affairs of the Company. Subject to the other provisions of this Agreement, the Managing Member and any of its Affiliates may act as a director, officer, employee or advisor of any corporation, a trustee of any trust, a member or manager of a limited liability company or a partner of any partnership; may receive compensation for its services as an advisor with respect to, or participation in profits derived from, the investments of any such corporation, trust, limited liability company or partnership; and may acquire, invest in, hold and sell securities of any entity. Neither the Company nor any Member shall have by virtue of this Agreement, any right, title or interest in or to such other corporation, trust, partnership, limited liability company investment or security.

6.2 Agreements with Portfolio Companies.

The Managing Member, the Parent of the Managing Member and its or their Affiliates may enter into contracts, commitments and agreements with Portfolio Companies consistent with ARTICLE V for the benefit of said Managing Member, the Parent of the Managing Member and/or its or their Affiliates.

6.3 Obligations and Opportunities for Members.

The Members shall be obligated to refer investment opportunities, consistent with the purposes and objectives of the Company, to the Company. Any determination as to the appropriateness of an investment opportunity for the Company or for an Affiliate of the Company or for the Parent of the Managing Member shall be made by the disinterested directors of the Managing Member.

7.

ADMISSIONS; ASSIGNMENTS; REMOVAL AND WITHDRAWALS

7.1 Admission of Additional Managing Member.

It is not contemplated that any additional Managing Members will be admitted to the Company. A person may be admitted to the Company as a Managing Member only with the written consent of each Member including the Managing Member. In the event of the addition of a Managing Member, the participation of such person in the management of the Company and the interest of such person in the Company's profits and losses must be approved by all the Members at the time of such person's or entity's admission.

7.2 Admission of Additional Capital Investment Members; Increase in Capital Commitments.

(a) The Managing Member may admit one or more additional Capital Investment Members, subject only to satisfaction of the following conditions: (i) each such additional Capital Investment Member shall execute and deliver a Power of Attorney pursuant to which such additional Capital Investment Member agrees to be bound by the terms and provisions hereof, (ii) such admission would not result in a violation of any applicable law, including the federal or state securities laws, or any term or condition of this Agreement and, as a result of such admission, the Company would not be required to register as an investment company under the Investment

Company Act, and (iii) each such additional Capital Investment Member shall pay to the Company on the date of its admission to the Company (or on such other date as may be determined by the Managing Member in its sole discretion) an amount equal to the percentage of its Capital Commitment which is equal to the percentage of the other Capital Investment Members' Capital Commitments that shall have been payable at or prior to the admission of the additional Capital Investment Member. The name and business address of each Capital Investment Member admitted to the Company under this Section 7.2 and the amount of its Capital Commitment shall be added to Exhibit A, and each such Capital Investment Member shall be bound by all the provisions hereof. Each additional Capital Investment Member admitted pursuant to this Section 7.2 shall be deemed for purposes of all allocations pursuant to ARTICLE II to have been admitted on the date of admission. Admission of an additional Capital Investment Member in accordance with the terms hereof shall not be a cause of dissolution of the Company. Additional Capital Investment Members (other than Substitute Capital Investment Members admitted pursuant to Section 7.4) shall be admitted to the Company only with the written consent of, and on the terms approved by, the Managing Member and a Majority in Interest of the Capital Investment Members. Notwithstanding Section 12.3, the terms referred to in the preceding sentence may require the amendment of this Agreement in a manner that will treat adjustments to Members' Capital Account balances pursuant to Section 2.3(b) upon or as a result of admissions of additional Capital Investment Members as adjustments to their Capital Contributions for purposes of calculating their Percentages in Interest with respect to Capital from the times of such admissions.

(b) The Managing Member may permit any Capital Investment Member to increase its Capital Commitment within a reasonable time of its notification to the Managing Member of its desire to do so, provided that the conditions of Section 7.2(a) and all other provisions of Section 7.2(a) have been satisfied as though such Capital Investment Member were an additional Capital Investment Member with respect to such increase, except that Exhibit A shall be amended only to reflect such increase, and provided further that such increase would not cause the Company to violate any statute or regulation applicable to it or any covenant herein. The Managing Member shall notify the Members in a timely fashion of each additional Capital Investment Member admitted pursuant to Section 7.2(a) and of each Capital Investment Member that increases its percentage of the total Capital Commitments of the Company pursuant to this Section 7.2(b) beyond its percentage thereof upon its admission to the Company. Except in the case of an assignment or transfer of Capital Membership interests to Capital Investment Members in accordance with Section 7.4, a Capital Investment Member may increase its Capital Commitment only with the written consent of, and on the terms approved by, the Managing Member and a Majority in Interest of the Capital Investment Members. The terms referred to in the preceding sentence may require the amendment of this Agreement in a manner that will treat adjustments to Members' Capital Account balances pursuant to Section 2.3(b) upon or as a result of increases in Capital Members' Capital Commitments pursuant to this Section 7.2(b) as adjustments to Capital Contributions for purposes of calculating Percentages of Contributed Capital. Notwithstanding Section 12.3, any amendment referred to in the preceding sentence shall require the approval of a Majority in Interest of the Capital Investment Members.

7.3 Admission of Additional Profit Members.

The Managing Member may admit one or more additional Profit Members, subject only to satisfaction of the following conditions: (i) each such additional Profit Member shall execute and deliver a Power of Attorney pursuant to which such additional Profit Member agrees to be bound by the terms and provisions hereof, and (ii) such admission would not result in a violation of any applicable law, including the federal or state securities laws, or any term or condition of this Agreement and, as a result of such admission, the Company would not be required to register as an investment company under the Investment Company Act. The name and business address of each Profit Member admitted to the Company under this Section 7.3 and the number of his or her Units awarded to such additional Profit Member and his or her date of hire shall be added to Exhibit A, and each such Profit Member shall be bound by all the provisions hereof. Each additional Profit Member admitted pursuant to this Section 7.3 shall be deemed for purposes of all allocations pursuant to ARTICLE II to have been admitted on the date of hire. Admission of an additional Profit Member in accordance with the terms hereof shall not be a cause of dissolution of the Company. Additional Profit Members shall be admitted to the Company only with the written consent of, and on the terms approved by, the Managing Member and a Majority in Interest of the Profit Members.

7.4 Assignment of a Membership Interest.

(a) The Managing Member shall not assign or otherwise transfer its interest as the Managing Member of the Company. A Capital Investment Member may sell, assign or otherwise transfer all or any part of its interest in the Company only with the consent in writing of the Managing Member, which consent shall be given if the Managing Member is satisfied that the transaction (i) complies with and does not violate any federal or state securities law, (ii) will not cause the termination or dissolution of the Company, (iii) will not create a substantial risk that the Company would be classified other than as a partnership for federal income tax purposes, (iv) will not cause the Company to be required to register as an investment company under the Investment Company Act and (v) will not create a substantial risk that the Capital Investment Members and Profit Members would lose their limited liability as members under the Delaware Act.

(b) A purchaser, assignee or transferee of a Capital Investment Member's interest in the Company (an "Assignee") shall have the right to become a Substitute Capital Investment Member only if the following additional conditions are satisfied:

(i) a duly executed and acknowledged written instrument of assignment satisfactory to the Managing Member shall have been filed with the Company;

(ii) the Capital Investment Member and the Assignee shall have executed and acknowledged such other instruments and taken such other action as the Managing Member shall reasonably deem necessary or desirable to effect such substitution, including, without limitation, the execution by the Assignee of a Power of Attorney substantially similar to that referred to in Section 12.8 hereof;

(iii) the restrictions on transfer contained in Section 7.5 are inapplicable, and, if requested by the Managing Member, the Capital Investment Member or the Assignee shall have obtained an opinion of counsel reasonably satisfactory to the Managing Member as to the legal matters set forth in that Section;

(iv) the Capital Investment Member or the Assignee shall have paid to the Company such amount of money as is sufficient to cover all expenses incurred by or on behalf of the Company in connection with such substitution;

(v) the Managing Member shall have consented to such substitution, which consent shall not be unreasonably withheld.

The pledge or hypothecation to a bank or financial institution of the right to receive distributions with respect to a Capital Investment Member's interest in the Company shall not be deemed an assignment or transfer of a Capital Investment Member's interest in the Company, provided that such pledge or hypothecation shall nonetheless be subject to the restrictions set forth in Section 7.5. An Assignee who is not admitted to the Company as a Substitute Capital Investment Member shall have none of the rights of and no liability as a Capital Investment Member and the assignor in such case shall remain fully liable for the unpaid portion of its Capital Commitment.

(c) No Profit Member may sell, assign or otherwise transfer all or any part of its interest as a Profit Member of the Company in any respect whatsoever except that the interest of a Profit Member may be transferred by will or by the laws of descent and distribution to such Profit Member's estate or to his or her beneficiaries or heirs following the death of such Profit Member, provided that each and every such transferee agrees to be bound by all the terms and conditions of this Limited Liability Company Agreement applicable to Former Profit Members including, without limitation, those set forth in ARTICLE III and ARTICLE IV.

7.5 Restrictions on Transfer.

Notwithstanding any other provision of this Agreement, no Capital Investment Member may sell, assign or otherwise transfer all or any part of its interest in the Company, and no attempted or purported assignment or transfer of such interest shall be effective, unless (a) after giving effect thereto, the aggregate of all the assignments or transfers by the Members of interests in the Company within the 12 month period ending on the proposed date of such assignment or

transfer would not equal or exceed 50% of the total interests of the Members in the capital or profits of the Company, and such assignment or transfer would not otherwise terminate the Company for the purposes of Section 708 of the Code, (b) such assignment or transfer would not result in a violation of applicable law, including the federal and state securities laws and provided that, if such assignment or transfer would cause the Managing Member to violate any covenant of this Agreement and the Managing Member has taken all reasonable steps to prevent such violation, the Managing Member shall not be liable to the Company as a result thereof and the Managing Member shall be indemnified by such Capital Investment Member for any losses, damages or expenses incurred as a result of such violation, (c) such assignment or transfer would not cause the Company to lose its status as a partnership for federal income tax purposes or cause the Company to become subject to the Investment Company Act, (d) if requested by the Managing Member, such Capital Investment Member shall deliver a favorable opinion of counsel satisfactory to the Managing Member as to the matters referred to in the foregoing clauses (b) and (c), (e) if such assignment or transfer is to an employee benefit plan within the meaning of ERISA (a "Benefit Plan Investor"), the Managing Member shall have consented thereto, which consent may be granted or withheld at its sole discretion, and (f) such assignment or transfer is to an entity which is an Accredited Investor. Notwithstanding the foregoing, a Capital Investment Member which is a Benefit Plan Investor may sell, assign or transfer all or part of its interest to a successor fiduciary or trustee of the same plan or trust without the consent of the Managing Member, and in such case the successor fiduciary or trustee shall be substituted as a Capital Investment Member.

7.6 Removal or Withdrawal of Managing Member.

(a) Except as otherwise provided in this Agreement, without the prior written approval of at least Eighty Percent in Interest of both the Capital Investment Members and the Profit Members, the Managing Member may not resign or withdraw as Managing Member of the Company or voluntarily terminate its existence as Managing Member of the Company. If the Managing Member resigns, withdraws or terminates its existence in violation of this Section 7.6, then the interest of the Managing Member shall be divided into two components: (i) 25% thereof shall be allocated proportionately to the Capital Investment Members, thereby increasing their respective Capital Accounts (and the Capital Contributions deemed to have been made by the Capital Investment Members shall be automatically adjusted to reflect such increase) and (ii) 75% thereof shall be distributed to the Managing Member as provided in paragraph (d) below.

(b) Upon the approval of at least a eighty percent in interest of the Capital Investment Members, the Capital Investment Members may remove the Managing Member without cause.

(c) Upon the approval of at least two-thirds in interest of the Capital Investment Members, the Capital Investment Members may remove the Managing Member if any act or omission of the Managing Member in connection with the Company constitutes willful misconduct or fraud or if the Managing Member is in material violation of its obligations hereunder. If the

Managing Member is so removed, then the interest of the Managing Member shall be divided into two components: (i) 35% thereof shall be allocated proportionately to the Capital Investment Members, thereby increasing their respective Capital Accounts (and the Capital Contributions deemed to have been made by the Capital Investment Members shall be automatically adjusted to reflect such increase), and (ii) 65% thereof shall be distributed to the Managing Member as provided in paragraph (d) below.

(d) Upon the resignation, removal, withdrawal or voluntary termination of existence of the original or any successor Managing Member, the Company shall not be dissolved if, within ninety (90) calendar days after such resignation, removal, withdrawal or voluntary termination of existence, a Majority in Interest of the remaining Capital Investment Members and a Majority in Interest of the remaining Profit Members shall have agreed in writing to continue the business of the Company and shall have selected, effective as of the date of such event, a successor Managing Member. In such event, except as provided in Sections 7.6(a) and 7.6(c), the former Managing Member shall be entitled to receive a distribution equal to any amounts it would have been entitled to receive had the Company dissolved in accordance with Section 10.3 hereof and distributed in kind all Company assets as of the date of the resignation, removal, withdrawal or voluntary termination of existence of the Managing Member. For purposes of determining allocations and distributions pursuant to the preceding sentence, securities and other property held by the Company shall be valued pursuant to the procedures set forth in Section 4.8. If the Managing Member shall have resigned, withdrawn or voluntarily terminated its existence or been removed pursuant to this Section 7.6, such distribution shall be made in kind, or with the approval of at least a Majority in Interest of the Capital Investment Members and a Majority in Interest of the Profit Members, in cash, within thirty (30) calendar days (or as soon thereafter as is practicable but no later than thirty calendar days) after such removal, resignation, withdrawal or voluntary termination of existence.

(e) Upon and as of the date of the resignation, removal, withdrawal or voluntary termination of existence of the original or any successor Managing Member (the "Permitted Managing Member"), such Permitted Managing Member will cause, to the extent it is legally possible, all its rights, obligations and interest as such Managing Member arising under this Agreement or any other contracts, agreements or documents entered into by it on behalf of the Company to be assigned to the successor Managing Member or to the Managing Member of the new limited liability company or partnership; such successor or new Managing Member will assume and agree to perform all of such Permitted Managing Member's duties and obligations arising under this Agreement and such other instruments and such Permitted Managing Member will, upon making a proper accounting to the successor or new Managing Member, be relieved of any further duties or obligations arising under this Agreement and such other instruments from and after the time such resignation, removal, withdrawal or voluntary termination of existence shall have become effective.

7.7 Withdrawals of Capital Investment Members.

No Capital Investment Member shall have the right to withdraw from the Company except in connection with an assignment under Section 7.4.

8.

LIABILITY OF MEMBERS; INDEMNIFICATION

8.1 Liability of Members.

(a) No Member shall have any personal liability for any obligation of the Company in excess of his, her or its respective Capital Contribution; provided, however, that a Capital Member shall be liable to the Company to the extent of previous distributions only to the extent required by law and only to the extent provided in Section 18-607 of the Delaware Act.

(b) Subject to Section 8.2, and unless otherwise required by applicable law, the Managing Member and any Profit Member shall not be liable to the Company or any other Member for any action taken by any other Member, nor shall the Managing Member or any Profit Member (in the absence of negligence, misconduct, fraud or a willful violation of law by the Managing Member or any Profit Member) be liable to the Company or any other Member for any action of any employee, broker or agent of the Company provided that the Managing Member or any Profit Member shall have exercised appropriate care in the selection and supervision of such employee, broker or agent or unless the Managing Member or any Profit Member would otherwise be responsible under applicable law for the actions of such employee, broker or agent.

8.2 Indemnification.

(a) The Managing Member, each of the Profit Members, each of the members of the Advisory Committee, and the Affiliates of any of them (the "Indemnitees") shall not have any liability to the Company or to any Member for any loss suffered by the Company which arises out of any action or inaction of such Indemnitee if such Indemnitee in good faith determined that such course of conduct was in the best interests of the Company and such course of conduct did not constitute negligence or misconduct (including violations of law, breach of fiduciary duty and breach of this Agreement) of such Indemnitee. An Indemnitee shall be indemnified and held harmless by the Company against any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by it in connection with the Company provided that the same were not the result of negligence or misconduct (including violations of law, breach of fiduciary duty and breach of this Agreement) on the part of such Indemnitee.

(b) Notwithstanding the above, such Indemnitee shall not be indemnified for losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless (1) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular Indemnitee; (2) such claims have been dismissed with

prejudice on the merits by a court of competent jurisdiction as to the particular Indemnitee; or (3) a court of competent jurisdiction approves a settlement of the claims against a particular Indemnitee.

(c) In any claim for indemnification for federal or state securities law violations, the party seeking indemnification shall place before the court the position of the Securities and Exchange Commission and the Massachusetts Securities Division with respect to the issue of indemnification for securities law violations.

(d) The Company shall not incur the cost of the portion of any insurance, other than public liability insurance, which insures any party against any liability the indemnification of which is herein prohibited.

(e) Prior to entering into any compromise or settlement which would result in an obligation of the Company to indemnify such person, the Indemnitee shall obtain the written consent of the Managing Member (if such person is other than the Managing Member) or (if such person is the Managing Member) either (i) an opinion of counsel, such counsel to be chosen by a Majority in Interest of the Profit Members, to the effect that such compromise or settlement is not unreasonable, which opinion shall be furnished to all Members or (ii) the consent of a Majority in Interest of the Profit Members.

8.3 Payment of Expenses.

Expenses incurred by an Indemnitee in defense or settlement of any claim that may be subject to a right of indemnification hereunder may be advanced by the Company prior to the final disposition thereof provided that the following conditions are satisfied: (1) the claim relates to the performance of duties or services by the Indemnitee on behalf of the Company or the Advisory Committee, as the case may be, (2) the claim is initiated by a third party who is not a Capital Investment Member and (3) the Indemnitee undertakes to repay the advanced funds to the Company if it is ultimately determined that the Indemnitee is not entitled to be indemnified hereunder or under applicable law. The right of any Indemnitee to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which such Indemnitee may otherwise be entitled by contract or as a matter of law or equity and shall extend to such Indemnitee's successors, assigns and legal representatives. All judgments against the Company and the Managing Member, in respect of which such Managing Member is entitled to indemnification, must first be satisfied from Company assets before the Managing Member is responsible therefor. The obligations of Capital Investment Members under this ARTICLE VIII shall be satisfied only after any applicable insurance proceeds have been exhausted and then only out of Company assets and, only to the extent required by law, and only to the extent provided in Section 18-607 of the Delaware Act, out of distributions made by the Company to its Members, and Capital Investment Members shall have no personal liability to fund indemnification payments hereunder.

9.

ACCOUNTING FOR THE COMPANY; REPORTS

9.1 Accounting for the Company.

The Company shall use such methods of accounting as the Managing Member determines to be consistent with federal income tax requirements and (to the extent possible) with generally accepted accounting principles.

9.2 Books and Records.

The Managing Member shall keep or cause to be kept complete and appropriate records and books of account. Except as otherwise expressly provided herein, such books and records shall be maintained on the basis used in preparing the Company's federal income tax returns. Such information as is necessary to reconcile such books and records with generally accepted accounting principles shall also be maintained. The books and records shall be maintained at the principal office of the Company, and shall be available for inspection and copying by any Member at its expense during ordinary business hours following reasonable notice for any purpose reasonably related to its interest as a Member of the Company. In addition, the Managing Member shall provide any Capital Investment Member or Profit Member with a list of all Capital Members and their respective Percentages of Interest or with a list of all Profit Members and Former Profit Members and their Vested and Unvested Carried Interests within 30 days of receipt by the Managing Member of a written request for the same.

9.3 Reports to Members.

Promptly after consummation of each Investment in a Portfolio Company, the Managing Member shall prepare and deliver to each Member a description of such Investment and the Portfolio Company in which it was made. The Managing Member will deliver to each Member the audited or unaudited balance sheet and income statement and/or other annual and quarterly financial statements of each Portfolio Company within a reasonable time of the receipt thereof by the Managing Member. After the end of each Fiscal Year, the Managing Member shall cause an audit of the Company to be made by an independent public accountant of nationally recognized status of the financial statements of the Company for that year. Such audit shall be certified and a copy thereof shall be delivered to each Member within 90 days after the end of each of the Company's Fiscal Years. Such certified financial statements shall also be accompanied by a report on the

Company's activities during the year prepared by the Managing Member and (a) a list of all Capital Members and their respective percentages of contributed capital and a list of all Profit Members and Former Profit Members and their respective Vested and Unvested Carried Interests and Capital Accounts and (b) if the Capital Commitments of Benefit Plan Investors exceeds 25% of total Capital Commitments, a certification to each Benefit Plan Investor that the Company is a Venture Capital Operating Company as defined in 39 C.F.R. (S)2510. Within 90 days after the end of each Fiscal Year, the Company will deliver to each Member the Managing Member's good faith estimate of the fair value of the Company's Investments as of the end of such year and a statement showing the balances in such Member's Capital Account (both vested and unvested) as of the end of such year. Within 60 days after the end of each Fiscal Year, the Managing Member will cause to be delivered to each Member a Form K-1 and such other information, if any, with respect to the Company as may be necessary for the preparation of such Member's federal income tax returns, including a statement showing each Member's share of income, gain or loss and credits for such Fiscal Year for federal income tax purposes.

10.

DISSOLUTION AND WINDING UP

10.1 Dissolution.

The existence of the Company shall dissolve upon the first to occur of the following events:

(a) April 13, 2010; provided that the duration of the Company may be extended by the Managing Member in its sole discretion by notice in writing to each Member not later than thirty (30) days prior to any such extension for one or more additional periods from such date of not less than three years or more than ten years each, if the Managing Member determines, in each instance, taking into account the Company's Investments and the amount of capital calls remaining to be invested, that such extension is in the best interests of the Company;

(b) if (A) the Managing Member commences any case, proceeding or other action (y) under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to the Company or the Managing Member, or seeking to adjudicate the Company or the Managing Member a bankrupt or insolvent, or seeking reorganization, winding-up, liquidation, dissolution, composition or other relief with respect to the Company or the Managing Member or the debts of either of them, or (z) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or if the Managing Member or the Company shall make a general assignment for the benefit of its creditors; or if (B) there shall be commenced against the Company or against the Managing Member any case, proceeding or other action of a nature referred to in clause (A) above which (y)

results in the entry of an order for relief or any such adjudication or appointment or (z) remains undismissed, undischarged or unbonded for a period of ninety calendar days; or if (C) there shall be commenced against the Company or against the Managing Member any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within ninety calendar days from the entry thereof; of if (D) any other event not expressly provided for in this Agreement occurs which under the Delaware Act causes the Managing Member to cease to be a Managing Member of the Company; unless (i) at the time of such event there is at least one other Managing Member of the Company who is hereby authorized to, and does continue, the business of the Company; provided that a Majority in Interest of the Capital Investment Members and a Majority in Interest of the Profit Members agree to continue the business of the Company or (ii) if within 90 days of such removal, bankruptcy, dissolution or withdrawal, a Majority in Interest of the Capital Investment Members and a Majority in Interest of the Profit Members agree in writing to continue the business of the Company and to the appointment, effective upon the date of such event, of one or more additional Managing Members;

(c) the sale or other disposition of all or substantially all of the assets of the Company;

(d) the entry of a decree of judicial dissolution under the Delaware Act;

(e) the written consent of the Managing Member and a Majority in Interest of the Profit Members to terminate the Company;

(f) upon the determination of a Majority in Interest of the Capital Investment Members and a Majority in Interest of the Profit Members that there is a substantial risk that the Company would be taxed as a corporation under the Code and that, as a result, the objectives of the Company would be substantially impaired, provided that such Members furnish an opinion to such effect in form and substance reasonably satisfactory to the Managing Member and from counsel reasonably satisfactory to the Managing Member.

10.2 Winding Up.

Upon the occurrence of an event specified in Section 10.1, the affairs of the Company shall be wound up and its assets liquidated and distributed in accordance with this Agreement. The Managing Member or, if there is no Managing Member, a liquidator appointed by a Majority in Interest of the Capital Investment Members and a Majority in Interest of the Profit Members, shall proceed with the Dissolution Sale as promptly as practicable; provided that the Managing Member or such liquidator can continue such Dissolution Sale as long as it feels is reasonably necessary to obtain fair value for the Investments in Portfolio Companies and other assets of the Company. Assets that the Managing Member or the liquidator believes could be sold in the Dissolution Sale

only at an undue loss to the Members or with great impracticality may be distributed to the Members in kind pro rata in accordance with Sections 2.5, 2.6, 2.7 3.1, 3.2, 3.3 and ARTICLE IV.

10.3 Final Distribution and Allocation.

(a) In the final Fiscal Year of the Company, each item of Net Operating Profits and Net Operating Losses and Net Realized Capital Gains and Net Realized Capital Losses shall be allocated to the Members in such manner as would, to the extent possible, result in the Members' having zero balances in their respective Capital Accounts if all distributions by the Company for such Fiscal Year, including liquidating distributions, were made in accordance with ARTICLE IV. If the Fair Market Value of Company assets to be distributed in kind exceeds ("book gain") or is less than ("book loss") the book value of such assets, to the extent not otherwise recognized to the Company, such book gain or book loss shall be taken into account in computing Net Operating Profits or Net Operating Losses, Net Realized Capital Gains and Net Realized Capital Losses for such Fiscal Year for all purposes of crediting or charging the Capital Accounts of the Members pursuant to ARTICLE II and ARTICLE III as if such assets had been sold and the proceeds distributed pursuant to ARTICLE IV. Thereupon, all of the assets of the Company, or the proceeds therefrom, shall be distributed or used as follows and in the following order of priority:

(i) for the payment, or the reasonable provision for the payment, of the debts and liabilities of the Company, including amounts owed to any Members in their capacities as creditors of the Company, and the expenses of liquidation; to the setting up of any reserves which the Managing Member or the liquidator may deem reasonably necessary for any contingent liabilities or obligations of the Company; and

(ii) to the Members, in accordance with the positive balances in their Capital Accounts and Profit Accounts in compliance with Section 1.704-1(b)(2)(ii)(b)(2) of the Treasury Regulations and the balance pro rata in accordance with Sections 2.5, 2.6, 2.7, 3.1, 3.2, 3.3 and ARTICLE IV.

(b) Upon the dissolution and liquidation of the Company, after all allocations of Net Operating Profits, Net Operating Losses, Net Realized Capital Gains and Net Realized Capital Losses have been made but before any Final Distribution has been made to the Members, and in any event before the later of the end of the Company's taxable year of liquidation or 90 days after the Company's liquidation, the Managing Member shall contribute to the capital of the Company an amount equal to the negative balance, if any, in its Capital Account.

Notwithstanding the foregoing, the Managing Member's obligation pursuant to this Section 10.3(b) shall not inure to the benefit of, or be invoked or enforced by or for the benefit of, any creditor who has otherwise contractually obligated itself to look solely to all or a part of the assets

of the Company and not to the assets of any Member for satisfaction of any debt owed or owing to that creditor by the Company.

(c) When the Managing Member or the liquidator has complied with the foregoing liquidation plan, the Members shall execute, acknowledge and cause to be filed an instrument evidencing the cancellation of the Certificate of Formation of the Company pursuant to (S)18-203 of the Delaware Act.

10.4 Merger of Company into Another Entity.

The merger of the Company into another entity, which may or may not be another limited liability company, shall occur upon the affirmative vote of the Managing Member and of a Majority in Interest of the Capital Investment Members and a Majority in Interest of the Profit Members, and in any case shall not be deemed a dissolution under this ARTICLE X.

11.

DEFINITIONS

As used herein, the following terms have the following meanings:

Accredited Investor: An investor which qualifies as an "accredited investor" as defined in Regulation (S)230.501 of Regulation D promulgated under the Securities Act.

Adjusted Capital Account Deficit: A Capital Member's deficit Capital Account balance as determined by (i) crediting to such Member's Capital Account all amounts which such Member is obligated to restore to his Capital Account or is deemed to be obligated to restore to his Capital Account pursuant to either or both of the penultimate sentences of Sections 1.704-lT(b)(4)(iv)(f) and 1.704-lT(b)(4)(iv)(h)(5) of the Treasury Regulations and (ii) debiting to such Member's Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Treasury Regulations.

Advisory Committee: As defined in Section 5.5.

Affiliate: Any person or entity that directly or indirectly controls, is controlled by, or is under common control with, the person or entity in question, provided however, that "Affiliate" for the purposes of ARTICLE VIII shall mean any person performing services on behalf of the Company who:

(1) directly or indirectly controls, is controlled by, or is under common control with the Managing Member; or

(2) who owns or controls 10% or more of the outstanding voting securities of the Managing Member; or

(3) is an officer, director, partner, member, manager or trustee of the Managing Member or of the Parent or of an Affiliate of the member, manager, or

(4) if the Managing Member is an officer, director, partner, member, manager or trustee, is any company for which the Managing Member acts in any such capacity.

Agreement: This Limited Liability Company Agreement.

Announcement Date: The date on which the Change of Control is publicly announced or the date on which information regarding the same is disseminated to the public generally, whichever occurs first.

Appraiser: As defined in Section 3.4(b).

Assignee: As defined in Section 7.4.

Benefit Plan Investor: As defined in Section 7.5.

Break-up Fee: Any fee, reimbursement or other form of compensation in the nature of a topping, no-go, commitment or break-up or other arrangement payable by a third party as a result of the failure to consummate a proposed investment in a Portfolio Security.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in Boston, Massachusetts, are authorized or obligated by law to close.

Call Notices: As defined in Section 2.2.

Capital Account: As defined in Section 2.3.

Capital Commitment: As defined in Section 2.1.

Capital Contribution: As defined in Section 2.2.

Capital Investment Members: As defined in the recitals and in Exhibit A.

Capital Member Loss: The amount of $4,000,000 plus Net Operating Losses and Net Realized Capital Losses allocated to the Capital Members' Capital Accounts as provided in Sections 2.5 and 2.6.

Capital Members: As defined in the recitals and in Exhibit A.

Capital Members' Allocation: That portion of the Net Operating Profits, Net Operating Losses, Net Realized Capital Gains and Net Realized Capital Losses allocated to the Capital Investment Members as provided in Sections 2.5 and 2.6.

Capital Proceeds: The net proceeds from sales or other dispositions of Portfolio Securities, including liquidating and other like distributions on Portfolio Securities.

Carried Interest: As defined in Section 3.2.

Cash Flow: For any Fiscal Year, the aggregate cash receipts of the Company for such Fiscal Year (including receipts by, on behalf of or for the benefit of the Company or the Members) other than receipts of Capital Contributions from the Members, receipts arising from sales or other dispositions of Portfolio Securities and liquidating and other like distributions on Portfolio Securities.

Cause: As defined in Section 3.3(b).

Change of Control: As defined in Section 3.4(f).

Change of Control Repurchase Price Per Unit. As defined in Section 3.4(a).

Code: The Internal Revenue Code of 1986, as amended.

Commitment Period: The period from the date hereof up to and including April 13, 2010, unless extended by the Managing Member as provided in Section 1.5 and ARTICLE X or unless terminated earlier as provided therein and in Section 2.9.

Common Stock: The common stock, par value $.01, of the Parent.

Common Stock Price: The average of the twenty (20) highest last sale prices with respect to the Common Stock during the three-month period preceding the Announcement Date on the National Association of Securities Dealers, Inc. Automated Quotations (NASDAQ) System, or, if the Common Stock is not listed on NASDAQ, then the average of the twenty (20) highest last sale prices with respect to the Common Stock during the three-month period preceding the Announcement Date on the principal United States securities exchange registered under the Exchange Act on which the Common Stock is listed.

Company: As defined in the recitals.

Consultants: As defined in Section 5.2(f).

Date of Default: As defined in Section 2.10.

Defaulting Capital Investment Member: As defined in Section 2.10.

Delaware Act: The Delaware Limited Liability Company Act, as amended, 6 Del. C. (S)18-101, et seq. or any successor to such act.

Dissolution Sale: Sales and liquidations by or on behalf of the Company of all or substantially all of its assets in connection with or in contemplation of the winding up of the Company.

Due Date: As defined in Section 2.2.

ERISA: The Employee Retirement Income Security Act of 1974, as amended.

Exchange Act: As defined in Section 3.4.

Excused Investment: As defined in Section 2.11.

Excused Member: As defined in Section 2.11.

Fair Market Value: The value of Company assets and, when the reference so requires, of Portfolio Securities, determined as provided in Section 4.8.

Fair Market Value of the Company. As defined in Section 3.4.

Final Distribution: The distribution described in Section 10.3(a).

Financial Institution: A bank, savings institution, trust company, insurance company, pension or profit sharing trust, or similar entity which is a member of any group of such persons, having assets of at least $100,000,000, or other entity (other than an individual) a substantial part of whose business consists of investing in, purchasing or selling the securities of others.

Fiscal Year: The fiscal year ending on the last day of July in any year. In the case of the first and last fiscal years, the fraction thereof commencing on the date on which the Company is formed or ending on the date on which the winding up of the Company is completed, as the case may be.

Follow-On Investments: An Investment in a Portfolio Company following a prior Investment in that company.

Former Profit Member: As defined in Section 3.2 and in Exhibit A.

Holding Companies: As defined in Section 1.7(a).

Indemnitees: As defined in Section 8.3.

Initial Election: As defined in Section 3.4(a).

Investments: As defined in Section 1.7.

Investment Company Act: The Investment Company Act of 1940, as amended.

Liabilities: As defined in Section 8.3.

Maintenance Expenses: As defined in Section 5.4(a).

Majority in Interest of the Capital Investment Members: At any time, those Capital Investment Members whose aggregate Percentages in Interest exceed 50%.

Majority in Interest of the Profit Members: At any time, those Profit Members whose aggregate Carried Interests exceed 50%.

Managing Member: As defined in the recitals and in Exhibit A.

Managing Member Loss: As of the end of any Fiscal Year, the excess of any Net Realized Capital Losses and/or Net Operating Losses allocated to the Managing Member pursuant to Section 2.5(b)(ii) and Section 2.6(b)(ii).

Marketable Securities: Securities that are traded on a national securities exchange, reported through the National Association of Securities Dealers Automated Quotation System or traded over-the-counter.

Material Adverse Effect: As defined in Section 2.11(d).

Members: As defined in the recitals.

Net Operating Losses: With respect to any period, shall mean the excess of aggregate expenses incurred during (or attributable to) such period by the Company and not by any Portfolio

Company or Investment (other than expenses directly relating or attributable to the sale, purchase, exchange or distribution of Portfolio Securities) over the aggregate income earned during such period by the Company from all sources whatsoever (other than net gain from the sale, purchase, exchange or distribution of Portfolio Securities), such Net Operating Losses to be computed in accordance with applicable U.S. federal income tax accounting principles and (to the extent possible) with generally accepted accounting principles.

Net Operating Profits: With respect to any period, shall mean the excess of aggregate income earned during (or attributable to) such period by the Company (and not by any Portfolio Company or Investment) from all sources whatsoever (other than net gain from the sale, purchase, exchange or distribution of Portfolio Securities) over all expenses incurred during (or attributable to) such period by the Company (other than expenses directly relating or attributable to the sale, purchase, exchange or distribution of Portfolio Securities), such Net Operating Profits to be computed in accordance with applicable U.S. federal income tax accounting principles and (to the extent possible) with generally accepted accounting principles.

Net Realized Capital Gains: For any period shall mean the excess of gains, determined in accordance with U.S. federal income tax principles, on any sales or other dispositions of Portfolio Securities for such Fiscal Year over the losses, determined in accordance with federal income tax principles, on any sales or other dispositions of Portfolio Securities for such Fiscal Year. Notwithstanding the foregoing, for purposes of this definition, gains and losses with respect to Portfolio Securities reflected on the Company's books at values that differ from their adjusted tax bases as a result of the application of Section 2.3(b) shall be measured by the differences between the amounts realized upon sales or other dispositions of such Portfolio Securities and the book values of such Portfolio Securities.

Net Realized Capital Losses: For any period shall mean the excess of losses, determined in accordance with U.S. federal income tax principles, on any sales or other dispositions of Portfolio Securities for such Fiscal Year over the gains, determined in accordance with federal income tax principles, on any sales or other dispositions of Portfolio Securities for such Fiscal Year. Notwithstanding the foregoing, for purposes of this definition, gains and losses with respect to Portfolio Securities reflected on the Company's books at values that differ from their adjusted tax bases as a result of the application of Section 2.3(b) shall be measured by the differences between the amounts realized upon sales or other dispositions of such Portfolio Securities and the book values of such Portfolio Securities.

Non-Competition Covenant: As defined in Section 3.3(b)(iii) and as set forth in Section 3.5.

Non-Defaulting Capital Investment Members: As defined in Section 2.10.

Notice Members: As defined in Section 12.12.

Offered Shares: As defined in Section 4.5(c).

Parent: CMG Information Services, Inc., a Delaware corporation.

Percentage in Interest: In the case of each Capital Member, the Capital Contribution of such Member divided by the sum of the Capital Contributions of all Capital Members.

Plan Participant: As defined in Section 12.13.

Portfolio Companies: As defined in Section 1.7.

Prime Rate: The rate of interest announced by The First National Bank of Boston from time to time as its Prime Rate.

Profit Account: As defined in Section 3.7.

Profit Members: As defined in the recitals and in Section 3.1 and Exhibit A.

Profit Members Carried Interest Allocation: That portion of the Net Operating Profits, Net Operating Losses, Net Realized Capital Gains and Net Realized Capital Losses allocated to the Profit Members as provided in Sections 2.5 and 2.6.

Profit Member Loss: Net Operating Losses and Net Realized Capital Losses allocated to the Profit Members' Capital Accounts as provided in Sections 2.5 and 2.6.

Portfolio Securities: Securities of Portfolio Companies described in Section 1.7 owned by the Company or by the Managing Member.

Recovered Capital: Any distribution of capital to the Capital Members pursuant to Section 4.4(h).

Regulatory Allocations: As defined in Section 2.7(d).

Return of Capital: Any return of capital pursuant to Section 2.2.

Right of First Refusal: As defined in Section 4.5(c).

Securities: As defined in Section 1.7(a).

Securities Act: The Securities Act of 1933, as amended from time to time.

Special Fees: Transaction fees payable to the Company pursuant to Section 5.4(c) and any other fee or reimbursement payable to the Company as income for services or otherwise (including the fees referred to in Section 5.4).

Substitute Capital Investment Member: A purchaser, assignee or transferee of a Capital Member's interest in the Company that is admitted to the Company as a Capital Member pursuant to Section 7.4 and shown as a Capital Member on the books and records of the Company.

Tax Matters Partner: As defined in Section 12.12.

Temporary Investments:

(i) Investments in direct obligations of the United States of America, or obligations of any instrumentality or agency thereof, payment of principal and interest of which is unconditionally guaranteed by the United States of America, having a final maturity of not more than 180 days from the date of issue thereof;

(ii) Investments in certificates of deposit or repurchase agreements having a final maturity not more than 180 days from the date of acquisition thereof issued by any bank or trust company organized under the laws of the United States of America or any state thereof having capital and surplus of at least $100,000,000;

(iii) investments in money market funds; and

(iv) commercial paper payable on demand or having a final maturity not more than 180 days from the date of acquisition thereof which has the highest credit rating of either Standard & Poor's Corporation or Moody's Investors Service, Inc.

Treasury Regulations: The Income Tax Regulations (final or temporary) promulgated under the Code. References to specific sections of the Treasury Regulations shall be to such sections as amended, supplemented or superseded by Treasury Regulations currently in effect.

Units: As defined in Section 3.2.

Unrecovered Capital: All amounts in the Capital Accounts of the Capital Members up to the amount of their Capital Contributions, less any Returns of Capital and less any distributions of Unrecovered Capital previously made to the Capital Members pursuant to Section 4.4(h).

Unvested Units: As defined in Section 3.2.

Vested Units: As defined in Section 3.2.

MISCELLANEOUS

12.1 Registration of Securities.

Stocks, bonds, securities and other property owned by the Company shall be registered in the Company name or a "street name." Any corporation or transfer agent called upon to transfer any stocks, bonds and securities to or from the name of the Company shall be entitled to rely on instructions or assignments signed or purporting to be signed by the Managing Member without inquiry as to the authority of the person signing or purporting to sign such instructions or assignments or as to the validity of any transfer to or from the name of the Company. At the time of transfer, the corporation or transfer agent is entitled to assume (i) that the Company is still in existence and (ii) that this Agreement is in full force and effect and has not been amended unless the corporation or transfer agent has received written notice to the contrary.

12.2 Entire Agreement.

This Agreement and Exhibit A attached hereto set forth the full and complete agreement of the Members with respect to the subject matter hereof and supersede any prior agreement or undertaking among the parties.

12.3 Amendments.

This Agreement may be modified from time to time by the Managing Member and a Majority in Interest of the Capital Investment Members and a Majority in Interest of the Profit Members; provided, however, that amendments which do not adversely affect the Capital Investment Members or the Profit Members or the Company may be made to this Agreement and the certificate of limited company for the Company, from time to time, by the Managing Member, without the approval of any of the Capital Investment Members or any of the Profit Members, (i) to add to the representations, duties or obligations of the Managing Member, or to surrender any right granted to the Managing Member herein, (ii) to cure any ambiguity, or to correct or supplement any immaterial provision herein or in the certificate of limited company for the Company which may be inconsistent with any other provision herein or therein, or correct any printing, stenographic or clerical errors or omissions which will not be inconsistent with the provisions of this Agreement or the status of the Company as a partnership for federal income tax purposes, or to clarify any tax or accounting treatment, and (iii) to make any amendment or change which is for the benefit of, or

not adverse to the interests of, the Capital Investment Members or of the Profit Members. No amendment may be made to any provision of this Agreement which contemplates action by a vote or consent of greater than a Majority in Interest of the Capital Investment Members or of the Profit Members without a vote or consent of such greater majority as therein specified in each case. In addition, this Agreement may be amended by the Managing Member without the consent of any other Member in order to conform to any safe harbor provisions of the Code and Treasury Regulations which would preserve the substantial economic effect of the allocation of profits and losses set forth in ARTICLE II and ARTICLE III, provided that no such amendment shall materially decrease the amount or defer the timing of any distribution, including distributions payable upon liquidation, that the Capital Investment Members or Profit Members would otherwise be entitled to pursuant to this Agreement. Changes to Exhibit A to reflect the addition and deletion of Capital Investment Members or Profit Members and changes in the addresses of Capital Investment Members or Profit Members shall not be deemed amendments to this Agreement. The Managing Member shall promptly furnish the Capital Investment Members and the Profit Members with copies of each amendment to this Agreement.

12.4 Severability.

If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement or the application of such provision to other persons or circumstances shall not be affected thereby. Any default hereunder by a Capital Investment Member shall not excuse a default by any other Capital Investment Member.

12.5 Notices.

All notices, requests, demands and other communications shall be in writing and shall be deemed to have been duly given if personally delivered or sent by United States mail, by facsimile if transmission is mechanically confirmed, or by telegram or telex confirmed by letter, if to the Members, at the addresses set forth on Exhibit A attached hereto, and if to the Company, to the Managing Member at its address set forth in Exhibit A, or to such other address as any Member shall have last designated by notice to the Company and the other Members, or as the Managing Member shall have last designated by notice to the Capital Investment Members and Profit Members, as the case may be. Any notice shall be deemed received, unless earlier received, (i) if sent by certified or registered mail, return receipt requested, when actually received, (ii) if sent by overnight mail, when actually received, (iii) if sent by telegram or telex or facsimile transmission, on the date sent provided confirmatory notice is sent by first-class mail, postage prepaid, and (iv) if delivered by hand, on the date of receipt.

12.6 Heirs and Assigns; Execution.

This Agreement (a) shall be binding on the executors, administrators, estates, heirs, legal representatives, successors, and assigns of the Members and (b) may be executed in more than one counterpart with the same effect as if the parties executing the several counterparts had all executed one counterpart; provided, however, that each separate counterpart shall have been executed by the Managing Member and that the several counterparts, in the aggregate, shall have been signed by all of the Members.

12.7 Waiver of Partition.

Except as may be otherwise provided by law in connection with the dissolution, winding-up, and liquidation of the Company, each Member hereby irrevocably waives any and all rights that it may have to maintain an action for partition of any of the Company's property.

12.8 Power of Attorney.

Upon the request to the Managing Member, each Capital Investment Member shall execute a Power of Attorney in form satisfactory to the Managing Member granting the Managing Member authority to act on its behalf hereunder.

12.9 Headings.

The Section headings in this Agreement are for convenience of reference only, and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

12.10 Further Actions.

Each Member shall execute and deliver such other certificates, agreements and documents, and take such other actions, as may reasonably be requested by the Managing Member in connection with the formation of the Company and the achievement of its purposes, including, without limitation, (a) any documents that the Managing Member deems necessary or appropriate to form, qualify, or continue the Company as a limited company in all jurisdictions in which the Company conducts or plans to conduct business and (b) all such agreements, certificates, tax statements and other documents as may be required to be filed in respect of the Company.

12.11 Gender, Etc.

Whenever the context permits, the use of a particular gender shall include the masculine, feminine and neuter genders, and any reference to the singular or the plural shall be interchangeable with the other.

12.12 Tax Matters Partner.

The Managing Member shall be designated as the "Tax Matters Partner" in accordance with Section 6231 of the Code and shall promptly notify the other Members if any tax return or report of the Company is audited or if any adjustments are proposed. In addition, the Managing Member shall promptly furnish to the Members all notices concerning administrative or judicial proceedings relating to federal income tax matters as required under the Code and shall supply such information to the Internal Revenue Service as may be necessary to identify the Members as "Notice Members" under Section 6231 of the Code. During the pendency of any administrative or judicial proceeding, the Managing Member shall furnish to the Members periodic reports concerning the status of any such proceeding. Without the consent of a Majority in Interest of the Members, the Managing Member shall not extend the statute of limitations, file a request for administrative adjustment or enter into any settlement agreement relating to any Company item of income, gain, loss, deduction or credit for any fiscal year of the Company.

12.13 Certain ERISA Matters.

If this Agreement is executed and delivered on behalf of a Benefit Plan Investor, or on behalf of an entity whose assets include the assets of an employee benefit plan (such plan or entity to be referred to hereinafter as a "Plan Participant"), the Plan Participant shall be identified as such on Exhibit A hereto and shall represent and warrant, based upon the accuracy of the list of Capital Members to be provided by the Managing Member, that the acquisition of a Membership interest by such Plan Participant does not constitute a prohibited transaction within the meaning of Section 4975 of the Code. The Managing Member represents that: either (a), to the best knowledge of the Managing Member, after due inquiry, less than 25% of the value of any class of the equity interests in the Company is held by Benefit Plan Investors or (b) the Managing Member shall obtain an opinion of counsel reasonably satisfactory to such Plan Participant to the effect that the underlying assets of the Company are not "plan assets" (as that term is defined in 29 C.F.R. (S)510.3-101). Each Capital Member may rely upon said representation until the earliest to occur of: (i) its withdrawal from the Company, (ii) the dissolution of Company, (iii) the Managing Member's notifying the undersigned that such representation may no longer be relied upon or (iv) the Capital Member's obtaining actual knowledge that such representation is no longer accurate. The inaccuracy of such representation shall (without precluding the exercise of any other remedies available to such Capital Member) constitute a Material Adverse Effect for purposes of Section 2.11. The Managing Member will use its best efforts to discharge its responsibilities and to exercise its authority under the Limited Liability Company Agreement in such a manner that the assets of

the Company will not be characterized as "plan assets." The Managing Member will notify the Capital Members as soon as practicable if 20% or more of the value of the equity interests in the Company is held by Benefit Plan Investors.

12.14 Applicable Law.

This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware as applied between residents of that state entering into contracts wholly to be performed in that state.

Section 12.15 Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties to this Agreement have executed the same as of the date first above set forth.

MANAGING MEMBER:

CMG@VENTURES, INC.

By:

John A. McMullen, Director

CAPITAL INVESTMENT MEMBER:

CMG@VENTURES CAPITAL CORP.

By:

John A. McMullen, Director

PROFIT MEMBERS:

David S. Wetherell

Guy M. Bradley

Peter H. Mills

Andrew J. Hajducky III

Jonathan Callaghan

Acknowledged and agreed to
with respect to Section 3.4:

CMG INFORMATION SERVICES, INC.

By:

John A. McMullen, Director

LLC3

EXHIBIT A

MANAGING MEMBER:	PERCENTAGE IN INTEREST:	CAPITAL COMMITMENT:
CMG@Ventures, Inc. 100 Brickstone Square 1st Floor Andover, MA 01810	1%	$220,000

CAPITAL INVESTMENT MEMBER:		
CMG@Ventures Capital Corp. 100 Brickstone Square 1st Floor Andover, MA 01810	99%	$21,780,000

PROFIT MEMBERS:	DATE OF HIRE:	NO. OF UNITS(1):	NO. OF UNITS(2):
David S. Wetherell 30 Kittredge Road North Andover, MA 01845	01/30/95	8,581	8,581
Guy M. Bradley 10 White Pine Knoll Road Wayland, MA 01778	01/30/95	3,000	3,000
Peter H. Mills 810 University Drive Menlo Park, CA 94025	03/31/95	8,581	8,581
Andrew J. Hajducky 48 Edward Drive Winchester, MA 01890	10/01/95	500	500
Jonathan Callaghan 1654 Massachusetts Avenue Apt. 41 Cambridge, MA 02138	05/02/97	--	500

FORMER PROFIT MEMBERS:	DATE OF HIRE:	NO. OF UNITS(1):	NO. OF UNITS(2):
Daniel J. Nova 114 Coachman's Lane North Andover, MA 01845	(3)	900	900
Jerry D. Colonna Two Litchfield Drive Port Washington, NY 11050	(3)	938	938

(1) Relates to all investments.

(2) Relates only to investments in Blaxxun Interactive, Ikonic Interactive, GeoCities, Vicinity and Parable.

(3) The number of units shown are fully vested without regard to date of hire.

Exhibit 10.37

WARRANT PURCHASE AGREEMENT

by and among

SALESLINK CORPORATION

and

BANKBOSTON, N.A.

dated as of October 24, 1996

- ---

WARRANT PURCHASE AGREEMENT

- ---

Table of Contents

Schedules

Schedule 1 - Shareholders

Exhibits

Exhibit A - Form of Common Stock Warrant

SALESLINK CORPORATION
25 Drydock Avenue
Boston, Massachusetts 02210

WARRANT PURCHASE AGREEMENT

BankBoston, N.A.
100 Federal Street
Boston, Massachusetts 02110

Dated as of: October 24, 1996

Ladies and Gentlemen:

The undersigned, SalesLink Corporation, a Delaware corporation (hereinafter, together with its successors in title and assigns, the "Company"), proposes to issue and sell to BankBoston, N.A. (formerly known as The First National Bank of Boston), a national banking association (hereinafter, together with its successors in title and assigns, the "Bank"), a Common Stock Purchase Warrant of the Company in the form of Exhibit A hereto, all being on the terms and subject to the conditions contained in this Agreement.

Accordingly, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINED TERMS

As used herein, the following terms shall have the respective meanings assigned to them in this Article I:

"Bank" shall have the meaning ascribed to that term in the preamble hereto.

"Certificate of Incorporation" shall have the meaning ascribed to that term in (S)2.1(a) hereof.

"Closing" shall have the meaning ascribed to that term in Article IV hereof.

"Closing Date" means the date of the Closing.

"CMG" means CMG Information Services, Inc., a Delaware corporation.

"CMG Entity" means CMG and its successors, assigns and transferees, but shall exclude any Person who purchased any shares of the capital stock of the Company from CMG or its successors, assigns and transferees in an arms-length transaction for fair and valuable consideration.

"CMG Shares" means, in relation to any CMG Entity at any particular date, (a) all shares of Common Stock or Preferred Capital Stock, as the case may be, held of record by such Investor on such date, and (b) all shares of Common Stock or Preferred Capital Stock, as the case may be, issuable by the Company to such CMG Entity upon conversion of or in exchange for or upon exercise of rights under all other capital stock or other securities (including any warrants and options) of the Company held of record by such CMG Entity on such date; and, in this Agreement, each CMG Entity shall be deemed to hold of record on any particular date the total number of shares of Common Stock or Preferred Capital Stock, as the case may be, issuable by the Company upon conversion of or in exchange for or upon exercise of rights under all capital stock or other securities (including any other warrants or options) of the Company then held of record by such CMG Entity.

"Commission" means the Securities and Exchange Commission.

"Common Stock" shall have the meaning ascribed to that term in (S)2.1(a) hereof.

"Company" shall have the meaning ascribed to that term in the preamble hereto.

"Covenant Termination Date" means the date on which the Company shall complete and close in all material respects the Qualified Public Offering.

"Credit Agreement" shall have the meaning ascribed to that term in Article V hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any federal statute or code which is a successor thereto.

"Form S-1,"Form S-3" and "Form S-8" means the forms so designated and promulgated by the Commission for registration of securities under the Securities Act, and any forms succeeding to the functions of such forms, whether or not bearing the same designation.

"generally accepted accounting principles" shall have the meaning ascribed to that term in the Credit Agreement.

"Holders" means, collectively, all Investors, including all Permitted Transferees of Investors; and the term "Holder" shall mean any one of the Holders.

"Indemnified Party" shall have the meaning ascribed to that term in (S)8.6(c) hereof.

"Indemnifying Party" shall have the meaning ascribed to that term in (S)8.6(c) hereof.

"Initial Public Offering" means in relation to the Company, the first public offering pursuant to an effective Registration Statement under the Securities Act covering the offer and sale of shares of Common Stock whether or not such Initial Public Offering is a Qualified Public Offering.

"Investor Consent" means, at any particular date, the consent, approval or vote of the Majority Investors.

"Investors" means, collectively, (a) the Bank so long as the Bank shall continue to own and hold of record any of the Securities, (b) each Permitted Transferee of the Bank so long as such Permitted Transferee shall continue to own and hold of record any of the Securities, and provided such Permitted Transferee made the representations and warranties contained in Article VI to the Company at the time it obtained ownership of any of the Securities, and (c) each Permitted Transferee of any other Investor so long as such Permitted Transferee shall continue to own and hold of record any of the Securities.

"Investor Shares" means, in relation to any Investor at any particular date, (a) all shares of Common Stock or Preferred Capital Stock, as the case may be, held of record by such Investor on such date, and (b) all shares of Common Stock or Preferred Capital Stock, as the case may be, issuable by the Company to such Investor upon conversion of or in exchange for or upon exercise of rights under all other capital stock or other securities (including the Warrants and any other warrants and options) of the Company held of record by such Investor on such date; and, in this Agreement, each Investor shall be deemed to hold of record on any particular date the total number of shares of Common Stock or Preferred Capital Stock, as the case may be, issuable by the Company upon conversion of or in exchange for or upon exercise of rights under all capital stock or other securities (including the Warrants and any other warrants or options) of the Company then held of record by such Investor.

"Majority Investors" means, in relation to the Investors at any particular date, Investors holding of record or deemed to be holding of record, at such date, at least fifty-one percent (51%) of the total number of all Investor Shares then held or deemed held of record by all Investors on such date.

"NASDAQ" means the National Association of Securities Dealers automated quotation system.

"Permitted Transferee" means, in relation to any particular Investor:

(a) any affiliate or limited or general partner of such Investor;

(b) any other Investor or any affiliate thereof;

(c) any Person who shall acquire Securities from such Investor or from any Permitted Transferees thereof in a transaction not involving any public offering and not in violation or in contravention of the terms of Article VI hereof;

(d) any Person who shall acquire Securities from such Investor in connection with any distribution of such Securities by such Investor to the beneficial owners (including, without limitation, the general partners and the limited partners of a general or limited partnership, the shareholders of a corporation and the beneficiaries of a trust) of any securities or other equity or ownership interests of such Investor;

(e) in the case of any Investor or any Permitted Transferee thereof which is not a natural Person, any Person who shall acquire (whether by operation of law or otherwise) all or any substantial part of the assets of such Investor or Permitted Transferee; or

(f) in the case of any Investor or any Permitted Transferee thereof who is a natural Person, any executor, administrator, heir or legatee of such Investor or Permitted Transferee.

"Person" means an individual, corporation, partnership, joint venture, trust, or unincorporated organization, or a government or any agency or political subdivision thereof.

"Piggyback Registration" shall have the meaning ascribed to that term in (S)8.1(a) hereof.

"Preferred Capital Stock" shall have the meaning ascribed to that term in (S)7.4(b) hereof.

"Prospectus" means the prospectus included in any Registration Statement, as amended or supplemented by any Prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and all other amendments and supplements to the prospectus, including post-effective amendments, and all material incorporated by reference in such prospectus.

"Qualified Public Offering" means, in relation to the Company, the first underwritten public offering pursuant to an effective Registration Statement under the Securities Act covering the offer and sale of shares of Common Stock in which (a) not less than $15,000,000 of gross proceeds from such public offering shall be received by the Company for the account of the Company; (b) the public offering price per share of Common Stock in such public offering shall equal or exceed $5.00 per share (proportionally adjusted as provided in (S)12.4 hereof); and (c) each of the underwriters participating in such public offering shall be obligated to buy on a "firm commitment" basis all shares of Common Stock which such underwriters shall have agreed to distribute.

"register, registered and registration" refers to a registration effected by preparing and filing a Registration Statement in compliance with the Securities Act and the declaration or ordering by the Commission of effectiveness of such Registration Statement.

"Registrable Securities" means, in relation to the Holders at any particular time: (a) all shares of Common Stock issuable upon conversion of or in exchange for or upon exercise of rights under any capital stock or other securities (including, without limitation, options and warrants) of the Company held of record by Holders at such time; and (b) all shares of Common Stock held of record at such time by Holders.

"Registration Expenses" shall have the meaning ascribed to that term in (S)8.5(a) hereof.

"Registration Statement" means any Registration Statement of the Company which covers any of the Registrable Securities pursuant to the provisions of this Agreement including the Prospectus, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all material incorporated by reference in such Registration Statement.

"Requirement of Law" means, in respect of any person or entity, any law, treaty, rule, regulation or determination of an arbitrator, court or other governmental authority, in each case applicable to or binding upon such person or entity or affecting any of its property.

"Rule 144" means Rule 144 issued by the Commission under the Securities Act, or any subsequent rule pertaining to the disposition of securities without registration.

"Securities" means the Warrant and the Warrant Shares.

"Securities Act" means the Securities Act of 1933, as amended, or any federal statute or code which is a successor thereto.

"Special Sale Event" means any offer, sale, transfer, assignment or other disposition by any CMG Entity of any of its shares of Common Stock in which the consideration and/or value received by such CMG Entity is (a) not in the form of cash, cash equivalents or for the settlement of any indebtedness (whether contingent or otherwise) owing by such CMG Entity to the transferee (or its affiliates); and (b) not directly retained by such CMG Entity but is instead contributed directly to the Company.

"Subsidiary" means, in relation to the Company at any particular time, any other corporation at least fifty percent (50%) of the outstanding voting shares in the capital of which shall be owned or controlled (whether directly or indirectly) by the Company and/or by any one or more of the Company's other Subsidiaries.

"Underwriters' Maximum Number" shall mean in any registration effected pursuant to (S)8.1 or 8.2 hereof which is an underwritten offering, the managing underwriters shall give written notice to the Company and the Holders of Registerable Securities to be included in such registration that, in the reasonable opinion of such managing underwriters, marketing factors require a limitation in the total number of securities to be underwritten.

"underwritten registration" or "underwritten offering" refers to any registration in which securities of the Company are sold or to be sold pursuant to a firm commitment underwriting.

"Warrant" shall have the meaning ascribed to that term in (S)2.2(a) hereof and shall in any event include all other warrants delivered in exchange or in substitution therefor.

"Warrant Shares" means the shares of Common Stock issuable upon exercise of the Warrant.

ARTICLE II

AUTHORIZATION OF WARRANTS

The Company represents and warrants to the Bank as follows:

(S)2.1. Capitalization of Company.

(a) The authorized capital stock of the Company will, on and as of the Closing Date, consist of: 12,000,000 shares of common stock, par value $0.01 per share (the "Common Stock"). A description of the Common Stock and of the voting powers, rights, & privileges thereof is stated in the Company's Certificate of Incorporation (herein, the "Certificate of Incorporation").

(b) As of the Closing Date the Company's issued and outstanding securities consist of 9,000,000 shares of Common Stock and the options referred to in subsection 2.1(c). All of the shares

of Common Stock have been duly and validly issued, are presently outstanding and are fully paid and non-assessable and are owned beneficially and of record by CMG.

(c) As of the Closing Date the Company has not granted or issued options, warrants or other rights to acquire any shares of Common Stock other than options granted or to be granted exercisable for up to 2,000,000 shares of Common Stock (in each case, not including the Warrant and other rights granted herein).

(S)2.2. Authorization of Warrant.

(a) The Company will, prior to the Closing Date, duly and properly authorize the issuance to the Bank of the Company's Common Stock Purchase Warrant sold and purchased pursuant to this Agreement (the "Warrant") evidencing rights to subscribe for and purchase from the Company shares of the Company's Common Stock and shares of Common Stock issuable by the Company upon exercise of the Warrant.

(b) The Warrant will be exercisable at a price, subject to adjustment as therein provided, of $3.15 per Warrant Share. The Warrant will be in substantially the form of Exhibit A annexed to this Agreement.

ARTICLE III

SALE AND PURCHASE OF
WARRANT AT CLOSING

(S)3.1. Sale and Purchase of Warrant. At the Closing hereunder, the Company will issue and sell to the Bank, and, subject to the terms and conditions hereof and in reliance upon the written representations and warranties of the Company, the Bank will severally purchase from the Company, for a total purchase price of one cent ($0.01), the Warrant to subscribe for and purchase one hundred thousand (100,000) shares of Common Stock.

(S)3.2. Closing Conditions. The obligation of the Bank to purchase the Warrant shall be subject to the satisfaction of the condition that the Warrant shall have been duly authorized and issued to the Bank, shall be in full force and effect and shall be in form and substance satisfactory to the Bank.

ARTICLE IV

THE CLOSING

The closing under this Agreement (the "Closing") will take place at 9:00 a.m., local time, on October 24, 1996, or at such other time and on such other date as may be mutually agreed upon in writing by the Bank and the Company. At the Closing, the Company will (among other things) deliver to the Bank the Warrant purchased by the Bank hereunder, and the Bank will deliver to the Company the total consideration payable by the Bank for the Warrant.

ARTICLE V

ADDITIONAL REPRESENTATIONS OF COMPANY

The Company hereby further represents and warrants to the Bank that all of the representations and warranties set forth in (S)7 of the Revolving Credit and Term Loan Agreement dated as of October 24, 1996, by and among the Company, the Bank, CMG, Pacific Direct Marketing Corp., the other lending institutions party thereto and the Agent (as defined therein) (herein, as modified or amended from time to time, the "Credit Agreement") are true and correct on and as of the Closing Date.

ARTICLE VI

REPRESENTATIONS OF THE INVESTORS

Each of the Investors represents and warrants to the Company that:

(a) Such Investor is purchasing the Warrant from the Company or another Investor, as the case may be, in accordance with the terms hereof for such Investor's own account without a view to any distribution thereof in violation of the Securities Act, but, subject, nevertheless, to any requirement of law that the disposition of such Investor's property shall at all times be within such Investor's control. Such Investor has been informed and understands that the Securities have not been

registered pursuant to the provisions of Section 5 of the Securities Act and must be held indefinitely unless such Securities are subsequently registered under the provisions of the Securities Act or an exemption from such registration is available.

(b) Such Investor represents that it is an "accredited investor" within the meaning of Rule 501(a) promulgated under the Securities Act.

(c) Each stock certificate or instrument representing or evidencing any Securities shall bear a legend in or substantially in the following form:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER, AND ARE SUBJECT TO, THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION UNDER THE 1933 ACT OR IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE 1933 ACT.

THESE SECURITIES ARE SUBJECT TO CERTAIN RESTRICTIONS CONTAINED IN A WARRANT PURCHASE AGREEMENT, DATED AS OF OCTOBER 24, 1996. THE COMPANY WILL FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER OF THESE SECURITIES UPON WRITTEN REQUEST."

ARTICLE VII

COVENANTS OF COMPANY

The Company hereby covenants with each of the Investors that, from the Closing Date and until the Covenant Termination Date, except as otherwise expressly permitted or provided, in any particular instance, by a written Investor Consent:

(S)7.1. Records and Accounts. From the date which is ninety (90) days prior to the exercise by the Bank or its Permitted Transferee of its rights hereunder, the Company will (a) keep, and cause each of its Subsidiaries to keep, true and accurate books of account in accordance with generally accepted accounting principles and (b) maintain its corporate existence, business and assets and comply with all Requirements of Law.

(S)7.2. Financial Statements, Certificates and Information. The Company will deliver to each of the Investors:

(a) as soon as available, but in any event within ninety (90) days after the close of each fiscal year of the Company, the audited consolidated balance sheet of the Company and its Subsidiaries and the audited consolidating balance sheet of the Company and its Subsidiaries, each as at the end of such year, and the related audited consolidated statement of income and audited consolidated statement of cash flow and audited consolidating statement of income and audited consolidating statement of cash flow for such year, each setting forth in comparative form the figures for the previous fiscal year and all such consolidated and consolidating statements to be in reasonable detail, prepared in accordance with generally accepted accounting principles, and

certified without qualification by a certified public accountant of nationally recognized standing selected by the Company;

(b) as soon as available, but in any event within forty-five (45) days after the end of each of the fiscal quarters of the Company, copies of the unaudited consolidated balance sheet of the Company and its Subsidiaries and the unaudited consolidating balance sheet of the Company and its Subsidiaries, each as at the end of such quarter, and the related consolidated statement of income and consolidated statement of cash flow and consolidating statement of income and consolidating statement of cash flow for the portion of the Company's fiscal year then elapsed, all in reasonable detail and prepared in accordance with generally accepted accounting principles, together with a certification by the principal financial or accounting officer of the Company that the information contained in such financial statements fairly presents the financial position of the Company and its Subsidiaries on the date thereof (subject to year-end adjustments);

(c) as soon as available, but in any event within thirty (30) days after the end of each month in each fiscal year of the Company, unaudited monthly consolidated financial statements of the Company and its Subsidiaries for such month and unaudited monthly consolidating financial statements of the Company and its Subsidiaries for such month, each prepared in accordance with generally accepted accounting principles, together with a certification by the principal financial or accounting officer of the Company that the information contained in such financial statements fairly presents the financial condition of the Company and its Subsidiaries on the date thereof (subject to year-end adjustments);

(d) contemporaneously with the filing or mailing thereof, copies of all material of a financial nature filed with the Securities and Exchange Commission or sent to the stockholders of the Company; and

(e) from time to time such other financial data and information (including accountants' management letters) as any Investor may reasonably request.

So long as the Credit Agreement remains in effect, the Company may satisfy its obligations under this (S)7.2 by delivering to each Investor the information which it is required to deliver to the Bank under the corresponding covenants contained in the Credit Agreement at the times required by the Credit Agreement.

(S)7.3. Notice of Litigation and Judgments. The Company will, and will cause each of its Subsidiaries to, promptly give notice to each of the Investors in writing of any threatened or pending litigation or similar proceedings affecting the Company or any of its Subsidiaries or any material change in any such litigation or proceeding previously reported if such litigation or change in any litigation or proceeding previously reported would have a material adverse effect on the assets, business or financial condition of the Company and its Subsidiaries, taken as a whole. So long as the Credit Agreement remains in effect, the Company may satisfy its obligations under this (S)7.3 by delivering to each Investor the information which it is required to deliver to the Bank under the corresponding covenants contained in the Credit Agreement at the times required by the Credit Agreement.

(S)7.4. Issuance of Preferred Capital Stock, etc.

(a) Except (i) as otherwise expressly contemplated or required by Article III and Article IV of this Agreement and (ii) except for issuances, sales or grants of shares of Preferred Capital Stock to any CMG Entity in contemplation of an acquisition, merger, other business combination, business affiliation or joint venture where such CMG Entity will not be the holder of such Preferred Capital Stock for more than ninety (90) days and the disposition thereof will consititute a Special Sale Event, the Company will not at any time after the Closing Date issue (whether by way of a dividend payment or otherwise), sell or grant to any CMG Entity (i) any shares of Preferred Capital Stock or Common Stock, (ii) any securities convertible into or exchangeable for or carrying any rights to acquire any shares of Preferred Capital Stock or Common Stock, or (iii) any options, warrants or any other rights to acquire any shares of Preferred Capital Stock or Common Stock (collectively, the "Capital Stock Issuance") unless the Company also grants to each of the Investors preemptive rights to purchase a portion of such Capital Stock Issuance that the Company may from time to time after the effective date hereof propose to issue, sell or grant to any CMG Entity. The preemptive rights granted to each of the Investors by this (S)7.4 shall be governed by and subject to all of the terms and provisions contained in this (S)7.4.

(b) The term "Preferred Capital Stock" shall mean: any class or any series of any class of the capital stock of the Company: (i) which shall be entitled, upon any distribution of any assets of the Company, whether by dividend or by liquidation or by redemption, to any preference ranking prior or superior to the Common Stock; or (ii) which shall be entitled, upon any redemption of any shares of such capital stock, whether at the option of the Company, at the option of the holders thereof, or upon the happening of any specified events, to any preference in redemption payments ranking prior or superior to the Common Stock; or (iii) the holders of which shall be or may become entitled, at any time or upon the happening of any specified events or conditions, to more than one vote for each share of such capital stock held by such holders; or (iv) which shall be convertible into, or exchangeable for, whether at the option of the Company, at the option of the holders thereof, or upon the happening of any specified events or conditions, any shares of Preferred Capital Stock of any class or series.

(c) In the event (and on each occasion) that the Company shall decide to undertake any Capital Stock Issuance to any CMG Entity, the Company will give to each of the Investors written notice (an "Offer Notice") of the Company's decision, describing the Capital Stock Issuance, the price (which shall be the price to be paid by the CMG Entity), and the general terms upon which the Company has decided to issue the Capital Stock Issuance. Each Investor shall have thirty (30) days from the date on which the Company shall give the written Offer Notice to the Investors (the "Offer Date") to agree to purchase its Investor Percentage of such Capital Stock Issuance for the price and upon the general terms specified in the Offer Notice, and in compliance with paragraphs (e) and (f) of this (S)7.4, by giving written notice to the Company and stating therein the quantity of the Investor Percentage of the Capital Stock Issuance to be purchased by such Investor. If, in connection with such a proposed Capital Stock Issuance, any Investor shall for any reason fail or refuse to give such written notice to the Company within such period of thirty (30) days, such Investor shall, for all purposes of this (S)7.4, be deemed to have refused (in that particular instance only) to purchase any of such Capital Stock Issuance and to have waived (in that particular instance only) all rights of such Investor under this (S)7.4 to purchase any of such Capital Stock Issuance.

(d) In the event that any Investor shall fail or refuse to exercise its rights of first refusal within said thirty (30) day period, the Company shall have forty-five (45) days thereafter to sell the

quantity of Capital Stock Issuance which such Investor did not agree to purchase pursuant to paragraphs (e) and (f) of this (S)7.4, at a price and upon terms no more favorable to the purchasers thereof than specified in the Company's Offer Notice to each of the Investors. In the event the Company has not sold the Capital Stock Issuance within said period of forty-five (45) days, the Company will not thereafter issue or sell any Capital Stock Issuance to any CMG Entity without first offering the applicable Investor Percentage of such securities to each of the Investors in the manner provided by the foregoing provisions of this (S)7.4.

(e) Unless each of the Investors shall otherwise agree in writing, the Capital Stock Issuance to be issued by the Company on any particular occasion shall be allocated among the Investors on the basis set forth below in this paragraph (e) and in paragraph (f) of this (S)7.4. Each Investor shall be entitled to purchase its Investor Percentage of any Capital Stock Issuance to be issued by the Company to a CMG Entity at any time after the date hereof. As used in this paragraph (e), in relation to any particular Investor and any CMG Entity and any particular Capital Stock Issuance, the term "Investor Percentage" shall mean the percentage obtained by dividing (X) the total number of Investor Shares (or, in the case of any CMG Entity, any CMG Shares) held or deemed held of record on the Offer Date by such Investor or CMG Entity, as the case may be, by (Y) the total number of all shares of capital stock of such class held or deemed held of record on the Offer Date by all stockholders holding such class of capital stock which is the subject of the Capital Stock Issuance.

(f) If any Investor shall agree to purchase less than such Investor's pro rata portion of that part of a Capital Stock Issuance allocable to the Investors (as determined pursuant to paragraph (e) of this (S)7.4), each Investor and any CMG Entity who shall be willing to purchase more than such Investor's or such CMG Entity's pro rata portion of the Capital Stock Issuance allocable to the Investors or the CMG Entity, as the case may be, shall be entitled to its Investor Percentage of such portion of the unallocated Capital Stock Issuance (as determined pursuant to paragraph (e) of this (S)7.4). The procedure described in the preceding sentence for allocating Capital Stock Issuance among Investors and the applicable CMG Entities willing to purchase such Capital Stock Issuance shall be repeated until all unallocated Capital Stock Issuance allocable to the Investors and the CMG Entities shall have been allocated among Investors and the CMG Entities willing to purchase such unallocated Capital Stock Issuance, all in compliance with the provisions contained in the preceding sentence of this paragraph (f).

(g) Each Investor covenants with the Company and each of the other Investors that each written notice given to the Company by such Investor pursuant to paragraph (c) of this (S)7.4 shall be consistent and in compliance with the terms of paragraphs (e) and (f) of this (S)7.4.

(h) Each Investor may designate any Permitted Transferee of such Investor to exercise any preemptive rights of such Investor under this (S)7.4.

(i) The Company has not entered into, and will not, at any time after the Closing Date of this Agreement, enter into any agreement or contract (whether written or oral) which is inconsistent in any respect with the preemptive rights granted by the Company to the Investors pursuant to this (S)7.4.

(j) All rights of the Investors under this (S)7.4, and all agreements and obligations of the Company under this (S)7.4, shall terminate and shall have no further force or effect from and after the closing of a Qualified Public Offering.

ARTICLE VIII

REGISTRATION RIGHTS

T.

(S)8.1. Piggyback Registrations.

(a) Rights to Piggyback.

(i) If (and on each occasion that) the Company proposes to register any of its securities under the Securities Act, either for the Company's own account or for the account of any of its securityholders (other than the Holders of Registrable Securities in their capacity as Holders) (each such registration being herein called a "Piggyback Registration"), the Company will give written notice to all Holders of Registrable Securities of the Company's intention to effect such Piggyback Registration not later than the earlier to occur of (A) the tenth day following the receipt by the Company of notice of exercise of any registration rights by any Persons (other than the Holders of Registrable Securities in their capacities as Holders), and (B) thirty (30) days prior to the anticipated filing date of such Piggyback Registration.

(ii) Subject to the provisions contained in paragraphs (c) and (d) of this (S)8.1 and in the last sentence of this clause (ii), (A) the Company will be obligated and required to include in each Piggyback Registration all Registrable Securities with respect to which the Company shall receive from Holders of Registrable Securities, within thirty (30) days after the date on which the Company shall have given written notice of such Piggyback Registration to all Holders of Registrable Securities pursuant to (S)8.1(a)(i) hereof, the written requests of such Holders for inclusion in such Piggyback Registration, and (B) subject to the Company's unconditional right to abandon registering any securities under the Securities Act at any time for any reason, the Company will use its best efforts in good faith to effect promptly the registration of all such Registrable Securities. The Holders of Registrable Securities shall be permitted to withdraw all or any part of the Registrable Securities of such Holders from any Piggyback Registration at any time prior to the effective date of such Piggyback Registration. The Company will not be obligated or required to include any Registrable Securities in any registration effected solely to implement an employee benefit plan or a transaction to which Rule 145 of the Commission is applicable.

(b) Piggyback Registration Expenses. The Company will pay all Registration Expenses of each Piggyback Registration attributable to Registrable Securities or otherwise incurred or sustained in connection with or arising out of the inclusion in each such Piggyback Registration of Registrable Securities.

(c) Priority on Piggyback Registrations. If a Piggyback Registration is an underwritten registration, and the managing underwriters shall give written advice to the Company of an Underwriters' Maximum Number, then: (i) the Company shall be entitled to include in such registration that number of securities which the Company proposes to offer and sell for its own account in such registration and which does not exceed the Underwriters' Maximum Number; (ii) if the Underwriters' Maximum Number exceeds the number of securities which the Company proposes

to offer and sell for its own account in such registration, then the Company will be obligated and required to include in such registration that number of Registrable Securities requested by the Holders thereof to be included in such registration and which does not exceed such excess and such Registrable Securities shall be allocated first, to any Holders other than a CMG Entity and the Investors if such Holders have a written agreement with the Company obligating the Company to include such Holders ahead of the CMG Entity and the Bank (a "Preferred Holder"), and second pro rata among the Holders thereof which are not Preferred Holders on the basis of the number of Registrable Securities requested to be included therein by each such Holder; and (iii) if the Underwriters' Maximum Number exceeds the sum of the number of Registrable Securities which the Company shall be required to include in such registration pursuant to clause (ii) and the number of securities which the Company proposes to offer and sell for its own account in such registration, then the Company may include in such registration that number of other securities which persons shall have requested be included in such registration and which shall not be greater than such excess.

(d) Selection of Underwriters. In any Piggyback Registration, the Company shall (unless the Company shall otherwise agree) have the right to select the investment bankers and managing underwriters in such registration.

(S)8.2. Lockup Agreements.

(a) Restrictions on Public Sale by Holders of Registrable Securities. Each Holder of Registrable Securities, any of whose Registrable Securities are included in any underwritten registration of the Company's securities, if the Company or the managing underwriters so request in connection with such registration, will not, without the prior written consent of the Company or such underwriters, effect any public sale or other distribution of any equity securities of the Company, including any sale pursuant to Rule 144, during the seven (7) days prior to, and during the one hundred eighty (180) day period commencing on, the effective date of such underwritten registration, except in connection with such underwritten registration, except, in each case, to the extent such Holder is prohibited by applicable law or exercise of fiduciary duties from agreeing to withhold Registrable Securities from sale or is acting in its capacity as a fiduciary or investment adviser; provided that each officer and director of the Company and each holder of more than one percent (1%) of the issued and outstanding shares of Common Stock shall enter into similar agreements. Without limiting the scope of the term "fiduciary", a Holder shall be deemed to be acting as a fiduciary or an investment adviser if its actions or the Registrable Securities to be sold are subject to the Employee Retirement Income Security Act of 1974, as amended, or the Investment Company Act of 1940, as amended, or if such Registrable Securities are held in a separate account under applicable insurance law or regulation. At the request of either the Company or the managing underwriter, each holder of Registerable Securities agrees to sign an agreement (which shall be in form and substance reasonably satisfactory to such holder) memorializing its obligations under this (S)8.2.

(b) Restrictions on Public Sale by Company. The Company agrees not to effect any public sale or other distribution of its equity securities, or any securities convertible into or exchangeable or exercisable for such equity securities, during the period commencing on the seventh day prior to, and ending on the one hundred and eightieth day following, the effective date of any underwritten Piggyback Registration, except in connection with any such underwritten registration and except for any offering pursuant to an employee benefit plan and registered on Form S-8.

(S)8.3. Registration Procedures. Whenever the Holders of Registrable Securities have requested pursuant to (S)8.1 that any Registrable Securities be registered pursuant to this Agreement, the Company will, subject to the conditions expressly set forth in this Agreement, use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto the Company will as expeditiously as possible:

(a) prepare and file with the Commission a Registration Statement with respect to such Registrable Securities and use its best efforts to cause such Registration Statement to become effective (provided, that before filing a Registration Statement or Prospectus or any amendments or supplements thereto, the Company will furnish to counsel selected by the Holders of Registrable Securities covered by such Registration Statement, copies of all such documents proposed to be filed, which documents will be subject to the timely review of such counsel and the Company will not file any Registration Statement or amendment thereto or any Prospectus or any supplement thereto, including documents incorporated by reference, to which the Holders of a Majority of the Registrable Securities covered by such Registration Statement shall reasonably object);

(b) prepare and file with the Commission such amendments and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for not more than six (6) months and, comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during such effective period in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement and cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Securities Act;

(c) upon request, furnish to each seller of Registrable Securities such number of copies of such Registration Statement, each amendment and supplement thereto, the Prospectus included in such Registration Statement (including each preliminary Prospectus and each Prospectus filed under Rule 424 of the Securities Act) and such other documents as each such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by each such seller (it being understood that the Company consents to the use of the Prospectus and any amendment or supplement thereto by such seller in connection with the offering and sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto);

(d) use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller reasonably requests, use its best efforts to keep each such registration or qualification effective, including through new filings, amendments or renewals, during the period such Registration Statement is required to be kept effective, and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller; provided that the Company will not be required (i) to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph (d), (ii) to subject itself to taxation in any such jurisdiction or (iii) to consent to general service of process in any such jurisdiction;

(e) notify each seller of such Registrable Securities, at any time when a Prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the Prospectus included in such Registration Statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, at

the request of any such seller, the Company will promptly prepare (and, when completed, give notice to each seller of Registrable Securities) a supplement or amendment to such Prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading; provided that upon such notification by the Company, each seller of such Registrable Securities will not offer or sell such Registrable Securities until the Company has notified such seller that it has prepared a supplement or amendment to such Prospectus and delivered copies of such supplement or amendment to such seller;

(f) cause all such Registrable Securities to be listed, prior to the date of the first sale of such Registrable Securities pursuant to such registration, on each securities exchange on which similar securities issued by the Company are then listed and, if not so listed, to be listed with NASDAQ;

(g) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such Registration Statement;

(h) enter into all such customary agreements (including underwriting agreements in customary form) and take all such other actions as the Holders of a Majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (including, without limitation, effecting a stock split or a combination of shares);

(i) make available for inspection on a confidential basis by any seller, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney, accountant or other agent retained by any such seller or underwriter (in each case after reasonable prior notice), all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, employees and independent accountants to supply on a confidential basis all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such Registration Statement;

(j) permit any Holder of Registrable Securities which Holder, in its sole and exclusive judgment, might be deemed to be an underwriter or a controlling person of the Company within the meaning of Section 15 of the Securities Act, to participate in the preparation of such registration or comparable statement and to permit the insertion therein of material, furnished to the Company in writing, which in the reasonable judgment of such Holder and its counsel should be included, provided that such material shall be furnished under such circumstances as shall cause it to be subject to the indemnification provisions provided pursuant to (S)8.6(b) hereof;

(k) in the event of the issuance of any stop order suspending the effectiveness of a Registration Statement, or of any order suspending or preventing the use of any related Prospectus or suspending the qualification of any Registrable Securities included in such Registration Statement for sale in any jurisdiction, the Company will use its best efforts promptly to obtain the withdrawal of such order;

(l) if requested by the managing underwriter or underwriters or any holder of Registrable Securities in connection with any sale pursuant to a Registration Statement, promptly incorporate in a Prospectus supplement or post-effective amendment such information relating to such underwriting as the managing underwriter or underwriters or such Holder reasonably requests to be included therein,

and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after being notified of the matters incorporated in such Prospectus supplement or post-effective amendment;

(m) cooperate with the Holders of Registrable Securities and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing Registrable Securities to be sold under such registration, and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriter or underwriters, if any, or such Holders may request;

(n) use its best efforts to cause the Registrable Securities to be registered with or approved by such other governmental agencies or authorities within the United States and having jurisdiction over the Company as may reasonably be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Securities;

(o) use its best efforts to obtain:

(i) at the time of effectiveness of each registration, a "comfort letter" from the Company's independent certified public accountants covering such matters of the type customarily covered by "cold comfort letters" as the Holders of a Majority of the Registrable Securities covered by such registration and the underwriters reasonably request; and

(ii) at the time of any underwritten sale pursuant to a Registration Statement, a "bring-down comfort letter", dated as of the date of such sale, from the Company's independent certified public accountants covering such matters of the type customarily covered by comfort letters as the Holders of a Majority of the Registrable Securities covered by such Registration Statement and the underwriters reasonably request;

(p) use its best efforts to obtain, at the time of effectiveness of each Piggyback Registration and at the time of any sale pursuant to each registration, an opinion or opinions, favorable in form and scope to the Holders of a Majority of the Registrable Securities covered by such registration, from counsel to the Company in customary form; and

(q) otherwise comply with all applicable rules and regulations of the Commission, and make generally available to its securityholders (as contemplated by Section 11(a) under the Securities Act) an earnings statement satisfying the provisions of Rule 158 under the Securities Act no later than ninety (90) days after the end of the twelve month period beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Registration Statement, which statement shall cover said twelve month period.

(S)8.4. Cooperation by Prospective Sellers, etc.

(a) Information Requests. Each prospective seller of Registrable Securities will furnish to the Company in writing such information as the Company may reasonably require from such seller in connection with any Registration Statement with respect to such Registrable Securities.

(b) Failure to Cooperate. The failure of any prospective seller of Registrable Securities to furnish any information or documents in accordance with any provision contained in this Article

VIII shall not affect the obligations of the Company under this Article VIII to any remaining sellers who furnish such information and documents unless, in the reasonable opinion of counsel to the Company or the underwriters, such failure impairs or may impair the viability of the offering or the legality of the Registration Statement or the underlying offering.

(c) Suspension of Sales. The Holders of Registrable Securities included in any Registration Statement will not (until further notice) effect sales thereof after receipt of telegraphic or written notice from the Company to suspend sales to permit the Company to correct or update such Registration Statement or Prospectus; but the obligations of the Company with respect to maintaining any Registration Statement current and effective shall be extended by a period of days equal to the period such suspension is in effect.

(d) Removal of Shares from Registration. At the end of any period during which the Company is obligated to keep any Registration Statement current and effective as provided by (S)8.3 hereof (and any extensions thereof required by the preceding paragraph (c) of this (S)8.4), the Holders of Registrable Securities included in such Registration Statement shall discontinue sales of shares pursuant to such Registration Statement upon receipt of notice from the Company of its intention to remove from registration the shares covered by such Registration Statement which remain unsold, and such Holders shall notify the Company of the number of shares registered which remain unsold promptly after receipt of such notice from the Company.

(e) Warrants or Options. Notwithstanding any other provision herein to the contrary, no Holder of Registrable Securities which constitute warrants or options shall be required to exercise such warrants or options in connection with any registration until the actual sale of the shares of Common Stock issuable upon exercise of such warrants or options. The Company shall enter into such agreements and shall otherwise cooperate with the Holders of Registrable Securities in order to ensure that such Holders are not required to exercise any warrants or options prior to the date of the actual sale of the shares of Common Stock issuable upon exercise of such warrants or options.

(S)8.5. Registration Expenses.

(a) Expenses Borne by the Company. All costs and expenses incurred or sustained in connection with or arising out of each registration pursuant to (S)8.1 hereof, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities or Blue Sky laws (including reasonable fees and disbursements of counsel for the underwriters in connection with the Blue Sky qualification of Registrable Securities), printing expenses, messenger, telephone and delivery expenses, fees and disbursements of counsel for the Company and of counsel for the sellers of Registrable Securities (subject to the limitations contained in paragraph (b) of this (S)8.5), fees and disbursements of all independent certified public accountants (including the expenses relating to the preparation and delivery of any special audit or "cold comfort" letters required by or incident to such registration), and fees and disbursements of underwriters (excluding discounts and commissions, but including underwriters' liability insurance if the Company or if the underwriters so require), the reasonable fees and expenses of any special experts retained by the Company of its own initiative or at the request of the managing underwriters in connection with such registration, and fees and expenses of all (if any) other Persons retained by the Company (all such costs and expenses being herein called, collectively, the "Registration Expenses"), will be borne and paid by the Company. The Company will, in any case, pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit, the expense of liability insurance referred to above, and the fees and expenses incurred

in connection with the listing of the securities to be registered on each securities exchange on which similar securities of the Company are then listed.

(b) Attorneys' Fees; Taxes. In connection with each registration of Registrable Securities pursuant to this Article VIII, the Company will reimburse the Holders of Registrable Securities being registered in such registration for the reasonable fees and disbursements of one law firm which acts as counsel chosen by the Holders of a Majority of Registrable Securities. The Company will not bear the cost of nor pay for any stock transfer taxes imposed in respect of the transfer of any Registrable Securities to any purchaser thereof by any Holder of Registrable Securities in connection with any registration of Registrable Securities pursuant to this Article VIII.

(c) Payment by Holder. To the extent that Registration Expenses incident to any registration are, under the terms of this Article VIII, not required to be paid by the Company, each Holder of Registrable Securities included in such registration will pay all Registration Expenses which are clearly solely attributable to the registration of such Holder's Registrable Securities so included in such registration, and all other Registration Expenses not so attributable to one Holder will be borne and paid by all sellers of securities included in such registration in proportion to the number of securities so included by each such seller.

(S)8.6. Indemnification.

(a) Indemnification by Company. The Company will indemnify each Holder requesting or joining in a registration and each underwriter of the securities so registered, the officers, directors and partners of each such Person and each Person who controls any thereof (within the meaning of the Securities Act), against any and all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of any material fact contained in any Prospectus, offering circular or other document incident to any registration, qualification or compliance (or in any related Registration Statement, notification or the like) or any omission (or alleged omission) to state therein any material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Company of any rule or regulation promulgated under the Securities Act applicable to the Company and relating to any action or inaction required of the Company in connection with any such registration, qualification or compliance, and the Company will reimburse each such Holder, officer, director, partner, controlling Person, and underwriter for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such claim, loss, damage or liability arises out of or is based on any untrue statement or omission based upon written information furnished to the Company in an instrument duly executed by such Holder, officer, director, partner, controlling Person, or underwriter and stated to be exclusively and specifically for use therein.

(b) Indemnification by Each Holder. Each Holder requesting or joining in a registration will indemnify each underwriter of the securities so registered, the Company and its officers and directors and each Person, if any, who controls any thereof (within the meaning of the Securities Act) and their respective successors in title and assigns against any and all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of any material fact contained in any Prospectus, offering circular or other document incident to any registration, qualification or compliance (or in any related Registration Statement, notification or the like) or any omission (or alleged omission) to state therein any material fact required to be stated therein or necessary to make the statement therein not misleading, and such

Holder will reimburse each underwriter, the Company and each other Person indemnified pursuant to this paragraph (b) for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action; provided, however, that this paragraph (b) shall apply only if (and only to the extent that) such statement or omission was made in reliance upon information furnished to the Company in any instrument duly executed by such Holder and stated to be specifically for use in such Prospectus, offering circular or other document (or related Registration Statement, notification or the like) or any amendment or supplement thereto. The maximum liability under this paragraph (b) of each Holder joining in any registration shall be limited to the aggregate amount of all sales proceeds actually received by such Holder upon the sale of such Holder's Registrable Securities in connection with such registration.

(c) Indemnification Proceedings. Each party entitled to indemnification pursuant to this (S)8.6 (the "Indemnified Party") shall give notice to the party required to provide indemnification pursuant to this (S)8.6 (the "Indemnifying Party") promptly after such Indemnified Party acquires actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party (at its expense) to assume the defense of any claim or any litigation resulting therefrom; provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be acceptable to the Indemnified Party, and the Indemnified Party may participate in such defense at such party's expense; and provided further, that if any Indemnified Party shall have reasonably concluded that there may be one or more legal defenses available to such Indemnified Party which are different from or additional to and are inconsistent with those available to the Indemnifying Party, or that such claim or litigation involves or could have an effect upon matters beyond the scope of the indemnity agreement provided in this (S)8.6, the Indemnifying Party shall not have the right to assume the defense of such action on behalf such Indemnified Party and such Indemnifying Party shall reimburse such Indemnified Party and any Person controlling such Indemnified Party for that portion of the fees and expenses of any counsel retained by the indemnified which are reasonably related to the matters covered by the indemnity agreement provided in this (S)8.6; and provided, further, that the failure by any Indemnified Party to give notice as provided in this paragraph (c) shall not relieve the Indemnifying Party of its obligations under this (S)8.6 except to the extent that the failure results in a failure of actual notice to the Indemnifying Party and such Indemnifying Party is damaged (or the indemnification liability of such Indemnifying Party hereunder would be increased) solely as a result of the failure to give notice. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. The reimbursement required by this (S)8.6 shall be made by periodic payments during the course of the investigation or defense, as and when bills are received or expenses incurred.

(d) Contribution in Lieu of Indemnification. If the indemnification provided for in this (S)8.6 from the Indemnifying Party is unavailable to an Indemnified Party hereunder in respect of any losses, claims, damages, liabilities or expense (or actions in respect thereof) referred to therein, then the Indemnifying Party in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages, liabilities or expenses (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and indemnified parties in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such indemnifying and indemnified parties shall be determined by reference to, among other things, whether any action in question,

including any untrue or alleged untrue statement of a material fact, has been made by, or relates to information supplied by, such Indemnifying Party or indemnified parties, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action; provided, however, that in no event shall the liability of any Holder hereunder be greater in amount than the difference between the dollar amount of the proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such contribution obligation and all amounts previously contributed by such Holder with respect to such losses, claims, damages, liabilities and expenses referred to above which shall be deemed to include, any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this (S)8.6(d) were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(S)8.7. Rule 144 Requirements; Form S-3. From time to time after the earlier to occur of (a) the ninetieth day following the date on which there shall first become effective a Registration Statement filed by the Company under the Securities Act, or (b) the date on which the Company shall register a class of securities under Section 12 of the Exchange Act, the Company will make every effort in good faith to take all steps necessary to ensure that the Company will be eligible to register securities on Form S-3 (or any comparable form adopted by the Commission) as soon thereafter as possible, and to make publicly available and available to the Holders of Registrable Securities, pursuant to Rule 144 or Rule 144A of the Commission under the Securities Act, such information as shall be necessary to enable the Holders of Registrable Securities to make sales of Registrable Securities pursuant to such Rules. The Company will furnish to any Holder of Registrable Securities, upon request made by such Holder at any time after the undertaking of the Company in the preceding sentence shall have first become effective, a written statement signed by the Company, addressed to such Holder, describing briefly the action the Company has taken or proposes to take to comply with the current public information requirements of Rule 144 or Rule 144A. The Company will, at the request of any Holder of Registrable Securities, upon receipt from such Holder of a certificate certifying (i) that such Holder has held such Registrable Securities for a period of not less than three (3) consecutive years, and (ii) that such Holder has not been an affiliate (as defined in Rule 144) of the Company for more than the ninety (90) preceding days, remove from the stock certificates representing such Registrable Securities that portion of any restrictive legend which relates to the registration provisions of the Securities Act.

(S)8.8. Participation in Underwritten Registrations. No Person may participate in any underwritten registration pursuant to this Article VIII unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled, under the provisions contained in this Article VIII, to approve such arrangements, and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required by the terms of such underwriting arrangements, provided, however, that no such indemnities or underwriting agreements shall provide for indemnification or contribution obligations of any Holder to a greater extent than the obligations of such Holder set forth in (S)8.6(b) hereof. Any Holder of Registrable Securities to be included in any underwritten registration shall be entitled at any time to withdraw such Registrable Securities from such

registration in the event that such Holder shall disapprove of any of the terms of the related underwriting agreement.

(S)8.9. No Inconsistent Agreements. The Company will not, at any time after the effective date of this Agreement, enter into any agreement or contract (whether written or oral) with respect to any of its securities which is inconsistent in any respect with the registration rights granted by the Company to Investors pursuant to Article VIII of this Agreement or otherwise conflicts with the provisions hereof.

(S)8.10. Registrable Securities Held by the Company. Whenever the consent or approval of Holders of Registrable Securities is required pursuant to this Article VIII, Registrable Securities held by the Company shall not be counted in determining whether such consent or approval was duly and properly given by such Holders pursuant to and in compliance with any of the terms of Article VIII of this Agreement.

(S)8.11. Term. The agreements of the Company contained in this Article VIII shall continue in full force and effect so long as any Holder holds any Registrable Securities.

ARTICLE IX

TRANSFERS

(S)9.1. General Restrictions. Except to the extent otherwise provided in this Agreement, the Warrant and all rights thereunder are transferable to any Permitted Transferee, in whole or in part, at the office or agency of the Company by the registered holder thereof in person or by a duly authorized attorney, upon surrender of the Warrant, together with an assignment in the form of Exhibit B attached to the Warrant, properly endorsed; provided such transfer is subject to the satisfaction of the conditions set forth in this (S)9.

(S)9.2. Notice of Transfer. Prior to any transfer of the Warrant, the holder thereof shall be required to give written notice to the Company describing in reasonable detail the manner and terms of the proposed transfer and the identity of the proposed transferee (the "Transfer Notice"), accompanied by the written agreement of the proposed transferee to be bound by all of the provisions hereof, applicable to holders of such Securities hereunder.

(S)9.3. Restrictive Legends. Except as otherwise permitted by this Section 9, each Security shall bear the legend specified for such Security in subparagraph (c) of Article VI of this Agreement.

(S)9.4. Restrictions on Transferability. Until the earlier to occur of a Qualified Public Offering or October 24, 1999 (the "Transfer Period"), the Bank shall not be entitled to transfer any Securities except (a) to the Company or its assigns; (b) to any affiliate or limited or general partner of the Bank; (c) to any Person who becomes a "Bank" under the Credit Agreement at any time on or after the date such Person becomes a "Bank" thereunder; (d) in the event the Bank is required to transfer such Securities due to any law, rule, order, regulation or policy of any kind; (e) pursuant to a public offering or an open market sale following a public offering; and (f) pursuant to Article X hereof.

(S)9.4. Termination of Restrictions. The restrictions imposed by this (S)9 upon the transferability of Securities shall terminate as to any particular Securities when such Securities shall have been effectively registered under the Securities Act or sold pursuant to a public sale. Whenever any of such restrictions shall terminate as to any Securities, the holder thereof shall be entitled to receive from the Company, at the Company's expense, new Securities without such legends.

ARTICLE X

RIGHTS OF SALE

The Company and CMG hereby grants to the Investors certain rights regarding sale of the Securities as set forth herein.

(S)10.1. Restrictions on Transfer. During the Transfer Period, the Investors, the Company and each CMG Entity agrees that neither CMG nor any CMG Entity will, directly or indirectly, offer, sell, transfer, assign or otherwise dispose of (or make any exchange, gift, assignment or pledge of) (collectively, for purposes of this Article X, a "Transfer") any Common Stock except in a Qualified Public Offering or as permitted by (S)10.2 below. Any attempt to transfer or encumber any shares of Common Stock not in accordance with this Agreement shall be null and void and neither the Company nor any transfer agent of such securities shall give any effect to such attempted transfer or encumbrance in its stock record.

(S)10.2. Right to Join in Sale. (a) Notwithstanding anything to the contrary contained in this Agreement, if any CMG Entity, in a single transaction or series of related transactions sells, disposes of or otherwise transfers any of its shares of Common Stock, except in a Special Sale Event, such Person shall refrain from effecting such transaction unless, prior to the consummation thereof, each Investor shall have been afforded the opportunity to join in such sale of Common Stock and Securities on a pro rata basis, as hereinafter provided.

(b) Prior to the consummation of any proposed sale, disposition or transfer of Common Stock described in (S)10.2(a), the CMG Entity effecting such sale, disposition or transfer shall cause the Person or group of Persons that proposes to acquire such shares (the "Proposed Purchasers") to offer (the "Purchase Offer") in writing to each of the Investors to purchase shares of Securities owned by such Investor (regardless of whether the shares of Common Stock proposed to be sold by the CMG Entity are the same class as the shares of Securities owned by the Investors), such that the number of shares of such Securities so offered to be purchased from such Investor shall be equal to the product obtained by multiplying the total number of shares of such Securities owned by such Investor by a fraction, the numerator of which is the aggregate number of shares of Common Stock proposed to be purchased by the Proposed Purchaser from all Holders (including the CMG Entity and the Investors) and the denominator of which is the aggregate number of shares of Common Stock and Securities then outstanding (with such number computed assuming the exercise of all outstanding options and warrants and treating the options for 2,000,000 shares of Common Stock included in the employee stock option pool as outstanding even to the extent that have not yet been issued). Such purchase shall be made at the highest price per share and on such other terms and conditions as the Proposed Purchaser has offered to purchase shares of Common Stock to be sold by the CMG Entity. Each Investor shall have twenty (20) calendar days from the date of receipt of the Purchase Offer in which to accept such Purchase Offer, and the closing of such purchase shall occur within thirty (30) calendar days after such acceptance or at such other time as the Investors and the Proposed Purchaser may agree. The number of shares of Common Stock to be sold to the Proposed Purchaser by the CMG Entity shall be reduced by the aggregate number of shares of Common Stock or Securities purchased by the Proposed Purchaser from the Investors pursuant to the acceptance by them of Purchase Offer in accordance with the provisions of this (S)10.2(b). In the event of any sale of Securities pursuant to this (S)10.2, to the extent that any Securities consists of unexercised Warrants,

such sale may be made either by sale of all or a part of the relevant Warrant, or by the exercise of the Warrant and sale of the applicable Common Stock. In the event that a sale or other transfer subject to this (S)10.2 is to be made to a Proposed Purchaser who is not a Holder, the CMG Entity shall notify the Proposed Purchaser that the sale or other transfer is subject to this (S)10.2 and shall ensure that no sale or other transfer is consummated without the Proposed Purchaser first complying with this (S)10.2. It shall be the responsibility of each CMG Entity to determine whether any transaction to which it is a party is subject to this (S)10.2.

(S)10.3. CMG Entity. If at any time CMG sells, disposes or otherwise transfers any of its interest in any Common Stock to any CMG Entity, prior to such disposition, sale or transfer, CMG shall provide to the Investors and the Company evidence that such CMG Entity agrees to be bound by the provisions of this (S)10. In addition, CMG is joining this Agreement solely for the purpose of being bound by the provisions of this (S)10.

(S)10.4. Termination of Investor Rights. All rights granted to the Investors under this Article X and all agreements and obligations of the Company and CMG under this Article X shall terminate and have no further force and effect from and after the closing of a Qualified Public Offering.

ARTICLE XI

SURVIVAL OF REPRESENTATIONS; INDEMNIFICATION.

(S)11.1. Survival of Representations. The representations and warranties of the Company and of the Bank and the Investors contained in this Agreement, or any agreement, instrument or document delivered pursuant to any of the provisions of this Agreement, shall survive the execution and delivery of this Agreement, any examination or investigation conducted by or on behalf of the Company or the Bank, and the Closing hereunder.

(S)11.2. Expenses. Whether or not all or any of the arrangements or transactions contemplated by this Agreement or by any of the Warrants shall be consummated, the Company agrees to pay to the Investors, on demand by the Investors at any time and as often as the occasion therefor may require, expenses incurred in connection with any litigation, proceeding or dispute arising out of or relating to this Agreement or any of the Warrants or relationships created thereby, or in connection with any action or proceeding taken by any Investor to protect or preserve all or any of the rights, remedies, powers or privileges of such Investor under any of such documents or to enforce any of the covenants, agreements or obligations of the Company under any of such documents (including, without limitation, all of the reasonable fees and disbursements of legal counsel for each Investor).

ARTICLE XII

MISCELLANEOUS

(S)12.1. Notices.

(a) All notices and other communications pursuant to this Agreement shall be in writing, either delivered in hand, mailed by United States registered or certified first-class mail, postage prepaid, sent by overnight courier, or sent by telegraph, telecopy, facsimile or telex and confirmed by delivery via courier or postal service, addressed as follows:

(i) if to the Company, at the address of the Company set forth on the first page hereof, or at such other address as shall have been furnished to each of the Investors in writing by the Company, and a copy thereof shall in any event be simultaneously transmitted to William Williams II, Esq., Palmer & Dodge LLP, One Beacon Street, Boston, Massachusetts 02108; or

(ii) if to any Investor, at such addresses (in each case) as shall have been furnished to the Company and to the other Investors by such Investor in writing, and a copy thereof shall in any event be simultaneously transmitted to Linda J. Groves, Esq., Bingham, Dana & Gould LLP, 150 Federal Street, Boston, MA 02110.

(b) Any notice or other communication pursuant to this Agreement shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand, overnight courier or facsimile to a responsible officer of the party to which it is directed, at the time of receipt thereof by such officer or the sending of such facsimile or (ii) if sent by registered or certified first-class mail, postage prepaid, on the third business day following the mailing thereof.

(S)12.2. GOVERNING LAW. THIS AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.

(S)12.3. Amendments and Waivers.

(a) Except as otherwise provided by paragraph (b) of this (S)12.3, and except as otherwise expressly required by any other provisions of this Agreement, none of the terms or provisions contained in this Agreement, and none of the agreements, obligations or covenants of the Company contained in this Agreement, may be amended, modified, supplemented, waived or terminated unless (i) the Company shall execute an instrument in writing agreeing or consenting to such amendment, modification, supplement, waiver or termination, and (ii) the Company shall receive a prior written Investor Consent therefor.

(b) Each of the terms and provisions contained in this (S)12.3 or in the definitions of Permitted Transferee, Investor Consent or Majority Investors contained in Article I hereof may be amended, modified, supplemented, waived or terminated only by a written instrument or consent signed by the Company and by each of the Investors holding of record any Securities at the effective date thereof.

(c) In connection with any action taken or to be taken pursuant to paragraph (a) of this (S)12.3, there shall be no obligation or requirement on the part of the Company, any of the Investors or any other Persons (i) to solicit or to attempt to solicit from all of the Investors the consent or approval of all of the Investors for such action, or (ii) to submit any notices of any kind to all of the Investors in advance of any action proposed to be taken pursuant to paragraph (a) of this (S)12.3. However,

copies of all written consents or approvals given by Investors in connection with any action taken or to be taken pursuant to and in compliance with paragraph (a) of this (S)12.3 shall be sent by the Company, promptly after the receipt thereof by the Company, to each Investor who shall have failed or refused to give a written consent or approval for such action.

(d) Any action taken pursuant to and in compliance with paragraph (a) of this (S)12.3 shall be binding upon the Company and upon all of the Investors, including all of the Investors who shall have failed or refused to give a written consent or approval for such action.

(S)12.4. Proportional Adjustments. There are references in this Agreement to a specific price per share of the Company's Common Stock or to a specific number of shares in the capital of the Company. The specific price per share and the specific number of shares so stated are effective as of the Closing Date. The specific price per share and the specific number of shares so stated shall (in each case) be proportionally adjusted from time to time if (and on each occasion that) there shall be effected by the Company any stock dividend, stock split, subdivision of shares, combination of shares, reclassification, recapitalization or other similar corporate reorganization affecting the capital structure of the Company. The exact amount and the effective date of each adjustment effected pursuant to this (S)12.4 shall be determined in good faith and on a reasonable basis by the Board of Directors of the Company. The Company shall promptly notify each Investor in writing of each such adjustment.

(S)12.5. Integration. Annexed to this Agreement is Exhibit A. Such Exhibit is an integral part of this Agreement and is hereby incorporated by reference.

(S)12.6. Rights and Obligations Several. The rights and obligations of each of the parties hereto shall be several (and not joint), except as otherwise expressly provided by this Agreement.

(S)12.7. No Waiver; Cumulative Remedies. No failure or delay on the part of any Investor in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

(S)12.8. Entire Agreement. This Agreement, including the Exhibit hereto, constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes any prior understandings or agreements concerning the subject matter hereof.

(S)12.9. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

(S)12.10. Binding Effect. All of the covenants and agreements of the Company contained in, and all of the rights granted by the Company pursuant to, this Agreement, shall inure to the benefit of each Investor, including each of the Permitted Transferees of such Investor. None of such covenants, agreements or rights shall be assignable or transferable by any Investor to any Person except to a Person who is a Permitted Transferee of such Investor.

(S)12.11. Counterparts. This Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one

and the same agreement. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by each of the parties hereto.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterpart of this Agreement and return such counterpart to the undersigned, whereupon this Agreement, as so accepted by you, shall become a binding agreement under seal between you and the undersigned.

Very truly yours,

SALESLINK CORPORATION

By:/s/ Andrew Hajducky

Name: Andrew Hajducky
Title:

Attest

/s/ William Williams II
- ---

CMG INFORMATION SERVICES, INC.

By:/s/ Andrew Hajducky

Name: Andrew Hajducky
Title:

Attest

/s/ William Williams
- ---

Dated as of: October 24, 1996

The foregoing Warrant Purchase Agreement with SalesLink Corporation is hereby accepted by the undersigned on and as of the date thereof.

INVESTORS:

BANKBOSTON, N.A.

By: /s/ Daniel G. Head

Name: Daniel G. Head
Title:

NEITHER THIS WARRANT NOR THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OR CONVERSION OF THIS WARRANT HAVE BEEN REGISTERED UNDER, AND ARE SUBJECT TO, THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION UNDER THE 1933 ACT OR IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE 1933 ACT.

THIS WARRANT AND THE COMMON STOCK ISSUABLE UPON EXERCISE OR CONVERSION OF THIS WARRANT ARE SUBJECT TO CERTAIN RESTRICTIONS CONTAINED IN A WARRANT PURCHASE AGREEMENT, DATED AS OF OCTOBER 24, 1996. THE COMPANY WILL FURNISH COPIES OF SUCH AGREEMENT WITHOUT CHARGE TO THE HOLDER OF THIS WARRANT UPON WRITTEN REQUEST.

SALESLINK CORPORATION
25 Drydock Avenue
Boston, Massachusetts 02210

COMMON STOCK PURCHASE WARRANT

dated as of October 24, 1996

Void after Warrant Expiration Date

No. W-1 Common Stock

THIS CERTIFIES that BankBoston, N.A. (formerly known as The First National Bank of Boston) (the "Bank"), or registered assigns, is entitled, at any time during the Warrant Exercise Period (as hereinafter defined), to subscribe for and purchase from SalesLink Corporation, a Delaware corporation (including any corporation which shall succeed to or assume the obligations of the company hereunder, the "Company"), up to 100,000 fully paid and non-assessable shares of the Company's Common Stock (as defined below), at an initial purchase price per share equal to $3.15 (such price per share as adjusted from time to time as provided herein is referred to herein as the "Exercise Price"). The number and character of such shares of Common Stock and the Exercise Price are subject to adjustment as provided herein.

This Warrant was originally issued by the Company to the original holder under the terms of, and as provided and contemplated by, that certain Warrant Purchase Agreement, dated as of October 24, 1996 (herein, as so amended and from time to time in effect, called the "Warrant Agreement"), between the Company and the original holder. The holder of this Warrant shall be entitled to all of the benefits and shall be subject to all of the obligations of the Warrant Agreement.

Copies of the Warrant Agreement are on file and available for inspection at the principal office of the Company or at such other office of the Company as the Company shall designate by notice in writing to the registered holder hereof at the address of such holder appearing on the books of the Company.

This Warrant is subject to the following terms and conditions:

(S)1. Definitions. As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

Bank shall have the meaning set forth in the preamble.

Common Stock shall have the meaning set forth in the Warrant Agreement.

Company shall have the meaning set forth in the preamble.

Credit Agreement shall mean the Revolving Credit and Term Loan Agreement, dated as of October 24, 1996, by and among the Company, CMG Information Services, Pacific Direct Marketing Corp., The First National Bank of Boston, certain other lending institutions party thereto and the Agent (as defined therein), as amended and in effect from time to time.

Exercise Price shall have the meaning set forth in the preamble.

Exercise Shares shall have the meaning set forth in (S)2.1 hereof.

Net Consideration Per Share shall mean the amount equal to the total amount of consideration, if any, received by the Company for the issuance of such warrants, options, subscriptions or other purchase rights or convertible or exchangeable securities, plus the minimum amount of consideration, if any, payable to the Company upon exercise or conversion thereof, divided by the aggregate number of shares of Common Stock that would be issued if all such warrants options, subscriptions or other purchase rights or convertible or exchangeable securities were exercised, exchanged or converted. The Net Consideration Per Share which may be received by the Company shall be determined in each instance as of the date of issuance of warrants, options, subscriptions or other purchase rights or convertible or exchangeable securities without giving effect to any possible future price adjustments or rate adjustments which may be applicable with respect to such warrants, options, subscriptions or other purchase rights or convertible or exchangeable securities.

Original Issue Date shall mean October 24, 1996.

Other Securities shall mean any stock (other than Common Stock) and other securities of the Company or any other entity (corporate or otherwise) which (i) the holder of this Warrant at any time shall be entitled to receive, or shall have received, on the exercise of this Warrant, in lieu of or in addition to Common Stock, or (ii) at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or other securities, in each case pursuant to (S)(S)7, 8 or 9 hereof.

Warrant Agreement shall have the meaning set forth in the preamble.

Warrant Exercise Period shall mean the period beginning on the date of this Warrant and ending on the Warrant Expiration Date.

Warrant Expiration Date shall have the meaning set forth in (S)2.4 hereof.

Warrant Stock shall mean: (i) the Company's Common Stock authorized as of the date of this Warrant and issuable upon the exercise or conversion of this Warrant or any warrants delivered in substitution or exchange therefor; and (ii) shall include also any other capital stock of any other class which may become and be issuable upon such exercise or conversion.

(S)2. Exercise of Warrant.

(S)2.1. Exercise. This Warrant may be exercised prior to the Warrant Expiration Date by the holder hereof at any time or from time to time, by surrender of this Warrant, with the form of subscription attached as Exhibit A hereto duly executed by such holder, to the Company at its principal office, accompanied by payment, by certified or official bank check payable to the order of the Company or by wire transfer to its account, in the amount obtained by multiplying the number of shares of Common Stock for which this Warrant is then being exercised by the Exercise Price then in effect. In the event the Warrant is not exercised in full, the Company, at its expense, will forthwith issue and deliver to or upon the order of the holder hereof a new Warrant or Warrants of like tenor, in the name of the holder hereof or as such holder (upon payment by such holder of any applicable transfer taxes) may request, calling in the aggregate on the face or faces thereof for the number of shares of Common Stock equal (without giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the number of such shares (without giving effect to any adjustment therein) for which this Warrant shall have been exercised. Upon any exercise of this Warrant, in whole or in part, the holder hereof may pay the aggregate Exercise Price with respect to the shares of Common Stock for which this Warrant is then being exercised (collectively, the "Exercise Shares") by (a) in the event the holder of this Warrant is also the holder of a Note (as defined in the Credit Agreement), decreasing the outstanding principal amount of such Note by such amount or (b) surrendering its rights to a number of Exercise Shares having a fair market value equal to or greater than the required aggregate Exercise Price, in which case the holder hereof would receive the number of Exercise Shares to which it would otherwise be entitled upon such exercise, less the surrendered shares.

(S)2.2. Conflict With Other Laws. Any other provisions hereof to the contrary notwithstanding, neither the Bank nor any of its affiliates, shall be entitled to exercise the right under this Warrant to purchase any share or shares of Common Stock if, under any

law or under any regulation, rule or other requirement of any governmental authority at any time applicable to the Bank or any of its affiliates, (a) as a result of such purchase, the Bank and all affiliates of the Bank, taken as a whole, would own, control or have power to vote a greater quantity of securities of any kind than the Bank and its affiliates shall be permitted to own, control or have power to vote, or (b) such purchase would not be permitted.

(S)2.3. Warrant Agent. In the event that a bank or trust company shall have been appointed as trustee for the holder of the Warrant pursuant to (S)7.2 hereof, such bank or trust company shall have all the powers and duties of a warrant agent appointed pursuant to (S)17 hereof and shall accept, in its own name for the account of the Company or such successor entity as may be entitled thereto, all amounts otherwise payable to the Company or such successor, as the case may be, on exercise of this Warrant pursuant to this (S)2.

(S)2.4. Termination. This Warrant shall terminate upon the earlier to occur of (i) exercise in full, or (ii) May 16, 2002 (the "Warrant Expiration Date").

(S)3. Registration Rights. The holder of this Warrant has the registration rights specified in (S)8 of the Warrant Agreement.

(S)4. Rights of Co-Sale. The holder of this Warrant has the rights of co-sale as set forth in (S)10 of the Warrant Agreement.

(S)5. Delivery of Stock Certificates on Exercise.

(S)5.1. Delivery. As soon as practicable after the exercise of this Warrant in full or in part, and in any event within twenty (20) days thereafter, the Company, at its expense (including the payment by it of any applicable issue taxes), will cause to be issued in the name of and delivered to the holder hereof, or as such holder (upon payment by such holder of any applicable transfer taxes) may direct, a certificate or certificates for the number of fully paid and non-assessable shares of Common Stock (or Other Securities) to which such holder shall be entitled on such exercise, together with any other stock or other securities and property (including cash, where applicable) to which such holder is entitled upon such exercise.

(S)5.2. Fractional Shares. In the event that the exercise of this Warrant, in full or in part, results in the issuance of any fractional share of Common Stock, then in such event the holder of this Warrant shall be entitled to cash equal to the fair market value of such fractional share as determined in good faith by the Company's Board of Directors.

(S)6. Charges, Taxes and Expenses. Issuance of certificates for shares of Warrant Stock upon the exercise or conversion of this Warrant or any portion thereof shall be made without charge to the Company hereof for any issue or transfer taxes or any other incidental expenses in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the holder, and such certificates shall be issued in the name of the holder of this Warrant; provided, however, that any income taxes or capital gains taxes or similar taxes shall be payable by the holder of this Warrant.

(S)7. Adjustment for Reorganization, Consolidation, Merger, Etc.

(S)7.1. Certain Adjustments. In case at any time or from time to time, the Company shall (a) effect a capital reorganization, reclassification or recapitalization, (b) consolidate with or merge into any other person, or (c) transfer all or substantially all of its properties or assets to any other person under any plan or arrangement contemplating the dissolution of the Company, then in each such case, the holder of this Warrant, on the exercise hereof as provided in (S)2 hereof at any time after the consummation of such reorganization, recapitalization, consolidation or merger or the effective date of such dissolution, as the case may be, shall receive, in lieu of the Common Stock (or Other Securities) issuable on such exercise prior to such consummation or effective date, the stock and Other Securities and property (including cash) to which such holder would have been entitled upon such consummation or in connection with such dissolution, as the case may be, if such holder had so exercised this Warrant immediately prior thereto, all subject to further adjustment thereafter as provided in (S)(S)8 and 9 hereof.

(S)7.2. Appointment of Trustee for Warrant Holders Upon Dissolution. In the event of any dissolution of the Company following the transfer of all or substantially all of its properties or assets, the Company, prior to such dissolution, shall, at its expense, deliver or cause to be delivered the stock and Other Securities and property (including cash, where applicable) less the Exercise Price receivable by the holders of the Warrant after the effective date of such dissolution pursuant to this (S)7 to a bank or trust company having its principal office in Boston, Massachusetts, as trustee for the holder or holders of the Warrant.

(S)7.3. Continuation of Terms. Upon any reorganization, consolidation, merger or transfer (and any dissolution following any transfer) referred to in this (S)7, this Warrant shall continue in full force and effect and the terms hereof shall be applicable to the shares of stock and Other Securities and property receivable on the exercise of this Warrant after the consummation of such reorganization, consolidation or merger or the effective date of dissolution following any such transfer, as the case may be, and shall be binding upon the issuer of any such stock or Other Securities, including, in the case of any such transfer, the person acquiring all or substantially all of the properties or assets of the Company, whether or not such person shall have expressly assumed the terms of this Warrant as provided in (S)10 hereof.

(S)8. Adjustments for Issuance of Common Stock and Amount of Outstanding Common Stock .

8.1. General. If at any time there shall occur any stock split, stock dividend, reverse stock split or other subdivision of the Company's Common Stock ("Stock Event"), then the number of shares of Common Stock to be received by the holder of this Warrant shall be appropriately adjusted such that the proportion of (a) the number of shares issuable hereunder plus the number of shares of Warrant Stock held by the holder of this Warrant to (b) the total number of shares of the Company (on a fully diluted basis) prior to such Stock Event is equal to the proportion of (x) the number of shares issuable hereunder plus the number of shares of Warrant Stock held by the holder of this Warrant after such Stock Event to (y) the total number of shares of the Company (on a fully-diluted basis) after such Stock Event. In each such Stock Event, the Exercise Price in effect immediately prior to such Stock Event shall, simultaneously with the happening of such Stock Event, be adjusted by multiplying the Exercise Price in effect immediately prior to such Stock Event by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such Stock Event and the

denominator of which shall be the number of shares of Common Stock outstanding immediately after such Stock Event, and the product so obtained shall be the Exercise Price in effect immediately after such Stock Event; provided that in no event will the Exercise Price be less than the par value of the Common Stock In case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them (a) to receive a dividend or other distribution payable in Common Stock or in Convertible Securities (as hereinafter defined) or (b) to subscribe for or purchase Common Stock or Convertible Securities, then such record date chosen by the Company shall be deemed to be the date of the issue of the shares of Common Stock issued upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be

8.2. Other Issuances of Common Stock. (a) If the Company shall at any time or from time to time issue or sell any additional shares of Common Stock without consideration or for a consideration per share less than the Exercise Price in effect immediately prior to such issuance, then the Exercise Price shall be adjusted to a price determined by dividing (a) an amount equal to the sum of (i) the product of (A) the number of shares of Common Stock outstanding immediately prior to such issue or sale multiplied by (B) the then existing Exercise Price plus (ii) the consideration, if any, received by the Company upon such issue or sale by (b) the total number of shares of Common Stock outstanding immediately after such issue or sale.

(b) In case the Company shall at any time or from time to time in any manner grant any rights to subscribe for or to purchase any options for the purchase of Common Stock or any stock or other securities convertible into or exchangeable for Common Stock (such convertible or exchangeable stock or securities being herein called "Convertible Securities") and the price per share for which Common Stock is issuable upon the exercise of such rights or options or upon conversion or exchange of such Convertible Securities (determined by dividing (a) the sum of (i) the total amount, if any, received or receivable by the Company as consideration for the granting of such rights or options, plus (ii) the minimum aggregate amount of additional consideration payable to the Company upon the exercise of such rights or options, plus, (iii) in the case of such Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable upon the conversion or exchange thereof, by (b) the maximum number of shares of Common Stock issuable upon the exercise of such rights or options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such rights or options) shall be less than the Exercise Price in effect immediately prior to the time of the granting of such rights or options, then the maximum number of shares of Common Stock issuable upon the exercise of such rights or options or upon conversion or exchange of the maximum amount of such Convertible Securities issuable upon the exercise of such rights or options shall (as of the date of granting of such rights or options) be deemed to be outstanding and to have been issued for said price per share as so determined; provided, that no further adjustment of the Exercise Price shall be made upon the actual issue of such Common Stock or of such Convertible Securities, upon exercise of such rights or options or upon the actual issue of such Common Stock or upon conversion or exchange of such Convertible Securities; and provided, further, that upon the expiration of such rights or options, if any thereof shall not have been exercised, (x) the number of shares of Common Stock deemed to be issued and outstanding by reason of the fact that they were issuable upon the exercise of such rights or options or upon conversion or exchange of Convertible Securities so issuable, which rights or options were not exercised, shall no longer be deemed to be issued and outstanding, and (y) the Exercise Price shall forthwith be readjusted and thereafter the Exercise Price shall be the price which it would have been had

adjustment been made on the basis of the issue only of the shares of Common Stock or of the Convertible Securities actually issued upon the exercise of such rights or options.

(c) In case the Company shall in any manner issue or sell any Convertible Securities and the price per share for which Common Stock is issuable upon such conversion or exchange (determined by dividing (a) the sum of (i) the total amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus (ii) the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof, by (b) the maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Exercise Price in effect immediately prior to the time of such issue or sale, then the maximum number of shares of Common Stock issuable upon conversion or exchange of all such Convertible Securities shall (as of the date of the issue or sale of such Convertible Securities) be deemed to be outstanding and to have been issued for said price per share as so determined; provided, --------

that if any such issue or sale of such Convertible Securities is made upon exercise of any rights to subscribe for or to purchase or any option to purchase any such Convertible Securities for which an adjustment of the Exercise Price has been or is to be made pursuant to other provisions of this Section 8.2 no further adjustment of the Exercise Price shall be made by reason of such issue or sale; and provided, further, that upon the termination of the right to -------- -------

convert or to exchange such Convertible Securities for Common Stock (x) the number of shares of Common Stock deemed to be issued and outstanding by reason of the fact that they were issuable upon conversion or exchange of any such Convertible Securities, which were not so converted or exchanged, shall no longer be deemed to be issued and outstanding and (y) the Exercise Price shall be forthwith readjusted and thereafter the Exercise Price shall be the price which it would have been had adjustment been made on the basis of the issue only of the number of shares of Common Stock actually issued upon conversion or exchange of such Convertible Securities.

(d) In case the Company shall declare a dividend or make any other distribution upon any stock of the Company payable in Common Stock or in Convertible Securities (other than Stock Events which are provided in Section 8.1), the aggregate number of shares of Common Stock issuable in payment of such dividend or distribution or upon conversion of or in exchange for such Convertible Securities issuable in payment of such dividend or distribution, shall, for purposes of determining the Exercise Price, be deemed for the purposes of this Section 8.2 to have been issued or sold without consideration.

(e) In case any shares of Common Stock or Convertible Securities or any rights or options to purchase any such stock or securities shall be issued for cash, the consideration received therefor shall be deemed to be the amount received by the Company therefor, before deduction therefrom of any expenses incurred and any underwriting commissions or concessions paid or allowed by the Company in connection therewith. In case any shares of Common Stock or Convertible Securities or any rights or options to purchase any such stock or securities shall be issued for a consideration other than cash (or a consideration which includes cash, if such cash constitutes a part of the assets of a corporation or business substantially all the assets of which are being received as such consideration), then, for the purposes of this Section 8.2, the Board of Directors of the Company shall determine in good faith the fair value of such consideration, and such Common Stock, rights, options or Convertible Securities shall be deemed to have been issued for an amount of cash equal to the value so determined by the Board of Directors. In case any shares of Common Stock or Convertible Securities or any rights or options to purchase any

such stock or securities are issued in connection with the sale of other assets of the Company for a consideration which includes both, the Board of Directors shall determine in good faith what part of the consideration so received is to be deemed to be consideration for the issue of such shares of such Common Stock or Convertible Securities or rights or options to purchase such stock or securities and what part is properly allocable to such other assets.

(f) Upon each adjustment of the Exercise Price pursuant to this Section 8.2, the holder of this Warrant shall thereafter (until another such adjustment) be entitled to purchase upon exercise of this Warrant the number of shares obtained by multiplying the number of shares of Common Stock which were issuable upon exercise hereof, immediately prior to such adjustment by the Exercise Price in effect immediately prior to such adjustment and dividing the product so obtained by the adjusted Exercise Price. The Exercise Price shall be readjusted in the foregoing manner upon the happening of any successive event or events described herein in this Section 8.2, and the adjustments or readjustments required by this Section 8.2 shall be calculated in the order in which the events giving rise thereto occur.

(g) The provisions of this Section 8.2 shall not apply to (i) any issuance of additional Common Stock for which an adjustment is provided under Section 8.1 hereof, (ii) any issuance of options pursuant to the Company's stock option plan as in effect on the date hereof, and shares of Common Stock issued pursuant to such options, in an amount not to exceed 2,000,000 shares, or (iii) in the case of a Qualified Public Offering.

8.3. Other Securities. In case any Other Securities shall have been issued, or shall then be subject to issue upon the conversion or exchange of any stock (or Other Securities) of the Company (or any other issuer of Other Securities or any other entity referred to in Section 7 hereof) or to subscription, purchase or other acquisition pursuant to any rights or options granted by the Company (or such other issuer or entity), the holder hereof shall be entitled to receive upon exercise hereof such amount of Other Securities (in lieu of or in addition to Common Stock) as is determined in accordance with the terms hereof, treating all references to Common Stock herein as references to Other Securities to the extent applicable, and the computations, adjustments and readjustments provided for in this Section 8 with respect to the number of shares of Common Stock issuable upon exercise of this Warrant shall be made as nearly as possible in the manner so provided and applied to determine the amount of Other Securities from time to time receivable on the exercise of the Warrant, so as to provide the holder of the Warrant with the benefits intended by this Section 8 and the other provisions of this Warrant..

9. Adjustment for Dividends, Distributions and Reclassifications. In case at any time or from time to time, the holders of Common Stock shall have received, or (on or after the record date fixed for the determination of shareholders eligible to receive) shall have become entitled to receive, without payment therefor:

(a) other or additional stock, other securities, cash or property by way of dividend; or

(b) other or additional (or less) stock or other securities or property (including cash) by way of spin-off, split-up, reclassification, recapitalization, combination of shares or similar corporate restructuring;

other than additional shares of Common Stock issued as a stock dividend or in a stock-split (adjustments in respect of which are provided for in Section 8 hereof), then and in each such case the holder of this Warrant, on the exercise hereof as provided in Section 2 hereof, shall be entitled to receive the amount of stock and other securities and property (including cash in the case referred to in subsection (b) of this Section 9) which such holder would have received prior to or would have held on the date of such exercise if on the date hereof it had been the holder of record of the number of shares of Common Stock called for on the face of this Warrant and had thereafter, during the period from the date hereof to and including the date of such exercise, retained such shares and all such other or additional stock and other securities and property (including cash in the case referred to in subsection (b) of this Section 9 receivable by such holder as aforesaid during such period, giving effect to all further adjustments called for during such period by Sections 7 and 8 hereof.

(S)10. No Dilution. The Company will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of the Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of the holder of the Warrant against dilution. Without limiting the generality of the foregoing, the Company (a) will not increase the par value of any shares of stock receivable on the exercise of the Warrant above the amount payable therefor on such exercise, (b) will take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of stock on the exercise of the Warrant from time to time outstanding, and (c) will not transfer all or substantially all of its properties and assets to any other entity (corporate or otherwise), or consolidate with or merge into any other entity or permit any such entity to consolidate with or merge into the Company (if the Company is not the surviving entity), unless such other entity shall expressly assume in writing and will be bound by all the terms of this Warrant and the Warrant Agreement.

(S)11. Accountants' Certificate as to Adjustments. In the case of each event that may require any adjustment or readjustment in the shares of Warrant Stock issuable on the exercise of this Warrant, the Company at its expense will promptly prepare a certificate setting forth such adjustment or readjustment, or stating the reasons why no adjustment or readjustment is being made, and showing, in detail, the facts upon which any such adjustment or readjustment is based, including a statement of (a) the number of shares of the Company's Common Stock then outstanding on a fully diluted basis, and (b) the number of shares of Warrant Stock to be received upon exercise of this Warrant, in effect immediately prior to such adjustment or readjustment and as adjusted and readjusted (if required by (S)9) on account thereof. The Company will forthwith mail a copy of each such certificate to each holder of a Warrant, and will, on the written request at any time of any holder of a Warrant, furnish to such holder a like certificate setting forth the calculations used to determine such adjustment or readjustment. At its option, the holder of a Warrant may confirm the adjustment noted on the certificate by causing such adjustment to be computed by an independent certified public accountant at the expense of the Company.

(S)12. Notices of Record Date. In the event of:

(a) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or

other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any Other Securities or property, or to receive any other right; or

(b) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any transfer of all or substantially all the assets of the Company to or any consolidation or merger of the Company with or into any other Person; or

(c) any voluntary or involuntary dissolution, liquidation or winding-up of the Company; or

(d) any proposed issue or grant by the Company of any shares of stock of any class or any Other Securities, or any right or option to subscribe for, purchase or otherwise acquire any shares of stock of any class or any Other Securities (other than the issue of Warrant Stock on the exercise of this Warrant),

then, and in each such event, the Company will mail or cause to be mailed to the holder of this Warrant a notice specifying (a) the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, (b) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding-up is anticipated to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or Other Securities) shall be entitled to exchange their shares of Common Stock (or Other Securities) for securities or other property deliverable on such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding-up and (c) the amount and character of any stock or Other Securities, or rights or options with respect thereto, proposed to be issued or granted, the date of such proposed issue or grant and the persons or class of persons to whom such proposed issue or grant is to be offered or made. Such notice shall be mailed at least twenty (20) days prior to the date specified in such notice on which any such action is to be taken.

(S)13. Reservation of Stock Issuable on Exercise of Warrant. Sufficient shares of authorized but unissued Common Stock of the Company have been reserved by appropriate corporate action in connection with the prospective exercise of the Warrant. The issuance of the Securities will not require any further corporate action by the stockholders or directors of the Company, is not subject to pre-emptive rights in any present stockholders of the Company and does not conflict with any provision of any agreement to which the Company is a party or by which it is bound, and such Common Stock, when issued upon exercise of the Warrant in accordance with its terms or upon such conversion, will be duly authorized, fully paid and non-assessable.

(S)14. No Rights or Responsibilities as Shareholder. This Warrant neither entitles the holder hereof to any rights, nor subjects the holder hereof to any responsibilities, as a shareholder of the Company.

(S)15. Exchange. This Warrant is exchangeable, upon the surrender hereof by the registered holder at the principal office of the Company, for new warrants of like tenor and date representing in the aggregate the right to purchase the number of shares of Warrant Stock purchasable hereunder, each of such new warrants to represent the right to purchase such number

of shares of Warrant Stock as shall be designated by said registered holder at the time of such surrender.

(S)16. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto including the cost of a surety bond, if necessary, and upon surrender and cancellation of this Warrant, if mutilated, the Company will make and deliver a new warrant of like tenor and date, in lieu of this Warrant.

(S)17. Warrant Agent. The Company may, by written notice to the holder of this Warrant, appoint an agent having an office in Boston, Massachusetts for the purpose of issuing Common Stock on the exercise of this Warrant pursuant to (S)2 hereof, and exchanging or replacing this Warrant pursuant to this Warrant and the Warrant Agreement, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such agent.

(S)18. Remedies. The Company stipulates that the remedies at law of the holder of this Warrant in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant are not and will not be adequate, and that such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

(S)19. Transfer of Warrant. This Warrant and all rights hereunder are transferable to any Permitted Transferee (as such term is defined in the Warrant Agreement), in whole or in part, pursuant to the provisions of (S)9 of the Warrant Agreement.

(S)20. Communications and Notices. All communications and notices hereunder must be in writing, either delivered in hand or sent by first-class mail, postage prepaid, or sent by telecopier, and, if to the Company, shall be addressed to it at the address set forth on the first page hereof, or at such other address as the Company may hereafter designate in writing by notice to the registered holder of this Warrant, and, if to such registered holder, addressed to such holder at the address of such holder as shown on the books of the Company.

(S)21. Sundays, Holidays, etc. If the last or appointed day for the taking of any action required or the expiration of any right granted herein shall be a Sunday or a Saturday or shall be a legal holiday or a day on which banking institutions in Boston, Massachusetts, are authorized or required by law to remain closed, then such action may be taken or right may be exercised on the next succeeding day which is not a Sunday, a Saturday or a legal holiday and not a day on which banking institutions in Boston, Massachusetts, are authorized or required by law to remain closed.

(S)22. Miscellaneous.

(a) THIS WARRANT SHALL BE BINDING UPON THE COMPANY'S SUCCESSORS IN TITLE AND ASSIGNS. THIS WARRANT SHALL CONSTITUTE A CONTRACT UNDER SEAL AND, FOR ALL PURPOSES, SHALL BE CONSTRUED IN

ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.
- ----------

(b) Reference is made to the Warrant Agreement. For all purposes of the Warrant Agreement the original holder hereof and its Permitted Transferees shall be bound by all of the terms and conditions contained in, and entitled to all of the benefits of, the Warrant Agreement.

(c) In case any provision of this Warrant shall be invalid, illegal or unenforceable, or partially invalid, illegal or unenforceable, the provision shall be enforced to the extent, if any, that it may legally be enforced and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. This Warrant and any term hereof may be changed, waived, discharged or terminated only by a statement in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof. This Warrant shall take effect as an instrument under seal.

IN WITNESS WHEREOF, SALESLINK CORPORATION has caused this COMMON STOCK PURCHASE WARRANT to be signed in its corporate name and its corporate seal to be impressed hereon by its duly authorized officers.

The Company:
--- -------

Dated as of:

March 14, 1997

SALESLINK CORPORATION

By: /s/ Andrew Hajducky

Title:

Attest:

/s/ William Williams II
- ------------------------

Exhibit A

FORM OF SUBSCRIPTION

(To be signed only on exercise or conversion of Common Stock Purchase Warrant)

TO: SALESLINK CORPORATION

The undersigned, the registered holder of the within Common Stock Purchase Warrant of SalesLink Corporation, hereby irrevocably elects:

(check one)

A. ------- to exercise this Common Stock Purchase Warrant for, and to purchase thereunder, _____* shares of Common Stock of SalesLink Corporation and the undersigned herewith makes payment of $_____ therefor.

B. ------- to convert _____* Warrants represented by this Common Stock Purchase Warrant into _____ shares of Common Stock of SalesLink Corporation.

The undersigned requests that the certificates for such shares be issued in the name of and delivered to _____, whose address is _____.

Dated:

(Signature must conform in all respects to name of registered holder as specified on the face of the Warrant)

(Address)

Signed in the presence of:

- ---

- ---

*Insert here the number of shares (all or part of the number of shares called for in the Common Stock Purchase Warrant) as to which the Common Stock Purchase Warrant is being exercised or converted without making any adjustment for any other stock or other securities or property or cash which, pursuant to the adjustment provisions of the Common Stock Purchase Warrant, may be deliverable on exercise or conversion.

Exhibit B

FORM OF ASSIGNMENT

(To be signed only on transfer of Common Stock Purchase Warrant)

ASSIGNMENT

For value received, the undersigned, _____, hereby sells, assigns, and transfers unto _____ the right represented by the within Common Stock Purchase Warrant to purchase _____ shares of Common Stock of SalesLink Corporation to which the within Common Stock Purchase Warrant relates, and appoints _____ Attorney to transfer such right on the books of SalesLink Corporation with full power of substitution in the premises.

Dated:

(Signature must conform in all respects to name of registered holder as specified on the face of the Warrant)

(Address)

Signed in the presence of:

- ---

(Local Currency--Single Jurisdiction)

ISDA(R)
International Swaps and Derivatives Association, Inc.

MASTER AGREEMENT

dated as of January 14, 1997

The First National Bank of Boston and CMG Information Services, Inc. (the "Counterparty") have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:--

1. Interpretation

(a) Definitions. The terms defined in Section 12 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) Inconsistency. In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) Single Agreement. All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will

be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) Change of Account. Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) Netting. If on any date amounts would otherwise be payable:--

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that Subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may he made separately for different groups of Transactions and will apply separately to each pairing of branches or offices through which the parties make and receive payments or deliveries.

(d) Default Interest; Other Amounts. Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into) that:--

(a) Basic Representations.

(i) Status. It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;

(ii) Powers. It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;

(iii) No Violation or Conflict. Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) Consents. All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) Obligations Binding. Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) Absence of Certain Events. No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) Absence of Litigation. There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) Accuracy of Specified Information. All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:--

(a) Furnish Specified Information. It will deliver to the other party any forms, documents or certificates specified in the Schedule or any Confirmation by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) Maintain Authorisations. It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) Comply with Laws. It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

5. Events of Default and Termination Events

(a) Events of Default. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:--

(i) Failure to Pay or Deliver. Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) Breach of Agreement. Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) or to give notice of a Termination Event) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) Credit Support Default.

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document:

(iv) Misrepresentation. A representation made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) Default under Specified Transaction. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) Cross Default. If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individual or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) Bankruptcy. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:--

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional

liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) Merger Without Assumption. The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:--

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) Termination Events. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to (ii) below or an Additional Termination Event if the event is specified pursuant to (iii) below:--

(i) Illegality. Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):--

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) Credit Event Upon Merger. If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event

described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(iii) Additional Termination Event. If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) Event of Default and Illegality. If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. Early Termination

(a) Right to Terminate Following Event of Default. If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) Right to Terminate Following Termination Event.

(i) Notice. If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) Two Affected Parties. If an Illegality under Section 5(b)(i)(1) occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iii) Right to Terminate. If:--

(1) an agreement under Section 6(b)(ii) has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality other than that referred to in Section 6(b)(ii), a Credit Event Upon Merger or an Additional Termination Event occurs,

either party in the case of an Illegality, any Affected Party in the case of an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) Effect of Designation.

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(d) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) Calculations.

(i) Statement. On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) Payment Date. An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment), from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) Payments on Early Termination. If an Early Termination Date occurs, the following provisions shall apply based on the parties election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) Events of Default. If the Early Termination Date results from an Event of Default:--

(1) First Method and Market Quotation. If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party over (B) the Unpaid Amounts owing to the Defaulting Party.

(2) First Method and Loss. If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) Second Method and Market Quotation. If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party less (B) the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) Second Method and Loss. If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) Termination Events. If the Early Termination Date results from a Termination Event:--

(1) One Affected Party. If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) Two Affected Parties. If there are two Affected Parties:--

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Unpaid Amounts owing to X less (II) the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all terminated Transactions) and an amount will be payable equal to one-half

of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) Adjustment for Bankruptcy. In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) Pre-Estimate. The parties agree that if market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. Transfer

Neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:--

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e)

Any purported transfer that is not in compliance with this Section will be void.

8. Miscellaneous

(a) Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) Amendments. No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) Survival of Obligations. Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) Remedies Cumulative. Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) Counterparts and Confirmations.

(i) This Agreement (and each amendment, modification and waiver in respect of it may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) No Waiver of Rights. A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) Headings. The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

9. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

10. Notices

(a) Effectiveness. Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:--

(i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving

receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine):

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) Change of Addresses. Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

11. Governing Law and Jurisdiction

(a) Governing Law. This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) Jurisdiction. With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:--

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act of 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of proceedings in any other jurisdiction.

(c) Waiver of Immunities. Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

12. Definitions

As used in this Agreement:--

"Additional Termination Event" has the meaning specified in Section 5(b).

"Affected Party" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Applicable Rate" means:--

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iii).

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Illegality" has the meanings specified in Section 5(b).

"law" includes any treaty, law, rule or regulation and "lawful" and "unlawful" will be construed accordingly.

"Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

"Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 9. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

"Market Quotation" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as

reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

"Non-default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

"Non-defaulting Party" has the meaning specified in Section 6(a).

"Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Reference Market-makers" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"Scheduled Payment Date" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"Set-off" means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

"Settlement Amount" means, with respect to a party and any Early Termination Date, the sum of:--

(a) the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

"Specified Entity" has the meaning specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

"Termination Event" means an Illegality or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

THE FIRST NATIONAL BANK OF BOSTON (Name of Party)	CMG INFORMATION SERVICES, INC. (Name of Party)
By: /s/ Randy Kautin Name: Randy Kautin Title: Managing Director Date:	By: /s/ Andrew J. Hajducky III Name: Andrew J. Hajducky III Title: Treasurer Date:

Exhibit 10.40

January 14, 1997

CMG Information Services, Inc.
187 Ballardvale Street
Suite B110
Wilmington, MA 01887-7000
Attention: Andrew J. Hajducky III

Re: Transaction

The purpose of this letter is to confirm the terms and conditions of the Transaction entered into between us as of January 14, 1997 (the "Transaction").

This letter constitutes a "Confirmation" as referred to in the Master Agreement (Local Currency) entered into between us and dated as of January 14, 1997 (the "Swap Agreement") and incorporates by reference the 1991 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) (the "1991 Definitions").

This Confirmation supplements, forms a part of, and is subject to, the Swap Agreement. All provisions set forth in the 1991 Definitions or contained or incorporated by reference in the Swap Agreement shall govern this Confirmation except as expressly modified below. It is our intention to have this Confirmation serve as the final documentation for this trade and accordingly, no letter Confirmation will follow.

This Confirmation will be governed by and construed in accordance with the laws of the State of New York, without reference to choice of law doctrine.

The terms of the Transaction to which this Confirmation relates are as follows:

1. Parties

   The parties are:

   (1) The First National Bank of Boston ("Bank")

       Office through which this Transaction is booked and address for notices:

The First National Bank of Boston
100 Federal Street
Boston, MA 02110
Attention:
Telex:
Answerback:
Telecopy No.:

Account for
Payments: [To Be Advised]

(2) CMG Information Systems Inc.
(the "Counterparty")

Office through which this Transaction is booked and address for notices:

CMG Information Systems, Inc.
187 Ballardvale Street
Suite B110
Wilmington, MA 01887-7000

Attention:
Telex No.:
Answerback:
Facsimile No.:
Telephone No.:

Account for Payments: [To be advised]

2. Payments

(a) On each Payment Date, the Counterparty shall pay to Bank a Floating Amount in USD (the "Counterparty Note Floating Amount") computed in accordance with Section 6.1 of the 1991 Definitions as follows:

(i) "Calculation Amount" means USD $10,000,000;

(ii) "Floating Rate Option" means USD-LIBOR-BBA;

(iii) "Designated Maturity" means 3 month;

(iv) "Spread" means plus 1.75% per annum;

(v) "Reset Date" means the first day of each Calculation Period; and

(vi) "Floating Rate Day Count Fraction" means Actual/365.

(b) On the Termination Date, the Bank and Counterparty shall pay the amounts set forth in this paragraph (b). Upon a repurchase of the Underlying Shares in accordance with the terms of the Repurchase Agreement, (i) the Bank shall pay or cause to be paid to the Counterparty an amount equal to the positive difference, if any, between the Liquidation Amount and the Final Payment Amount and (ii) the Counterparty shall pay to the Bank an amount equal to the positive difference, if any, between the Final Payment Amount and the Liquidation Amount. If the Underlying Shares have not been purchased in accordance with the terms of the Repurchase Agreement, (i) the Bank shall pay or cause to be paid to the Counterparty an amount in USD equal to the Liquidation Amount minus any liquidation expenses incurred by the Bank in connection with such liquidation and (ii) the Counterparty shall pay to the Bank an amount in USD equal to the Final Payment Amount.

(c) When paid by the Issuer and received by the holders of the Underlying Shares, Bank shall pay to the Counterparty an aggregate amount equal to any payments in respect of dividends with respect to the Underlying Shares.

(d) Upon the occurrence of an Event of Default or a Termination Event relating to the Counterparty and the exercise by the Bank of its right to terminate this Agreement prior to the Termination Date, the Counterparty shall pay to the Bank a fee, in addition to the other amounts payable hereunder, equal to the product of (I) 175 basis points; (II) the Calculation Amount and (III) 1/365 payable for each calendar day elapsed from (and including) the Early Termination Date to (but excluding) the Termination Date.

3. Definitions

In this confirmation:

"Calculation Agent" means Bank. All determinations and calculations by the Calculation Agent shall (a) be made in good faith and in the exercise of its commercially reasonable judgment and (b) be determined, where applicable, on the basis of then prevailing market rates or prices. All such determinations and calculations shall be binding on the Counterparty in the absence of manifest error.

"Effective Date" means January 17, 1997.

"Final Payment Amount" means an amount equal to USD 10,000,000.

"Issuer" means Lycos, Inc., a Delaware corporation.

"Liquidation Amount" means an amount calculated three (3) Business Days prior to the Termination Date equal to the fair market value on such date of the Underlying Shares as calculated by the Calculation Agent.

"Payment Dates" means each April 17, July 17, October 17 and January 17 commencing on April 17 1997 and ending on the Termination Date (with the final Payment Date to be the Termination Date), subject to adjustment in accordance with the Modified Following Business Day Convention.

"Repurchase Agreement" means the repurchase agreement, dated as of January 14, 1997, among CMG @ Ventures L.P., the Counterparty, and Long Lane Master Trust relating to the repurchase of the Underlying Shares.

"Termination Date" means January 17, 1998.

"Underlying Shares" means the shares of common stock, par value of USD $.01, of the Issuer, with an aggregate market value of $10,000,000.

4. Other Provisions

(a) Business Day. As used herein, "Business Day" means a day on which banks are open for business in Boston, Massachusetts and New York, New York other than a Saturday or a Sunday.

(b) Adjustment to Shares. In the event of a change affecting the Underlying Shares, including without limitation, a capitalization issue, rights issue, share split, merger, consolidation, amalgamation, sub-division, capital reduction, recapitalization, reclassification, dissolution, liquidation, winding up or other similar event, which occurs after the Trade Date but before the Termination Date, the Calculation Agent shall (after consultation with the Counterparty), if necessary, (i) adjust the number of Underlying Shares and/or the Calculation Amount with respect to payments made pursuant to paragraph 2 of this Confirmation and (ii) determine the effective date of such adjustments, if any, to achieve as nearly as practicable the economic position the Counterparty would have been in had it been the holder of the Underlying Shares upon the occurrence of such event.

Please confirm your agreement to be bound by the terms of the foregoing by executing the copy of this Confirmation enclosed for that purpose and returning it to us.

Very truly yours,

THE FIRST NATIONAL BANK OF BOSTON

By: /s/ Randy Kautin

Name:
Title:

Accepted and confirmed as of
the date first above written

CMG INFORMATION SERVICES, INC.

By: /s/ Andrew J. Hajducky

Name:
Title:

SCHEDULE
to the
Master Agreement

dated as of January 14, 1997

between

The First National Bank of Boston ("Bank") and CMG Information Services, Inc. (the "Counterparty")

Part 1

Termination Provisions

In this Agreement:

(1) "Specified Entity":

(a) means, in relation to Bank, none, and

(b) means, in relation to the Counterparty, all affiliates of the Counterparty, including, without limitation, Direct Interactive Inc., Saleslink Corporation, and Pacific Direct Marketing Corp.

(2) "Specified Transaction" will have the meaning specified in Section 14 of this Agreement.

(3) The "Cross Default" provisions of Section 5(a)(vi) will apply to Bank and the Counterparty, and for such purpose:

(a) "Specified Indebtedness" means (i) with respect to either party hereto, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money and (ii) with respect to the Counterparty, the Revolving Credit and Term Loan Agreement, dated as of October 24, 1996 among the Bank, the Counterparty, Saleslink Corporation, Pacific Direct Marketing Corp., and the other lending institutions set forth on Schedule I thereto.

(b) "Threshold Amount" means (i) in relation to Bank, an amount equal to 3 percent of the total stockholders' equity of Bank and (ii) in relation to the Counterparty, U.S. $500,000.

(4) "Termination Currency" means United States Dollars.

(5) The "Credit Event Upon Merger" provisions of Section 5(b)(iv) of the Agreement will apply to Bank and the Counterparty.

(6) "Additional Termination Event" means for purposes of Section 5(c), any termination by the Counterparty, at its sole discretion, upon delivery of written notice to the Bank five Business Days prior to such termination.

(7) The "Automatic Early Termination" provisions of Section 6(a) will not apply to either party.

(8) For purposes of computing amounts payable on early termination:

(a) Market Quotation will apply to this Agreement, and

(b) The Second Method will apply to this Agreement.

Part 2

Agreement to Deliver Documents

For the purpose of Section 4(a), each party agrees to deliver the following documents, as applicable.

Party required to deliver document	Form/Document Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Counterparty	An executed United States Internal Revenue Service form W-9 (or any successor thereto).	Upon execution of this Agreement	
Counterparty and Bank	A certificate of an authorized officer for such party certifying the authority, names and true signatures of the officers signing this Agreement and each Confirmation reasonably satisfactory in form and substance to each party.	Upon execution of this Agreement and as deemed necessary for any further documentation.	Yes

Counterparty	Certified copies of documents evidencing each action taken by Counter-party to authorize its execution of this Agreement, and each Confirmation, and the performance of its obligations hereunder as well as its bylaws and articles of incorporation.	Upon execution of this Agreement.	Yes
Counterparty	Annual audited financial statements prepared in accordance with generally accepted accounting principles in the United States.	Promptly upon request.	Yes
Counterparty	Quarterly unaudited financial statements prepared in accordance with generally accepted accounting principles in the United States.	Promptly upon request.	Yes
Counterparty	A written opinion of legal counsel to Counter-party reasonably satisfactory in form and substance to Bank.	Upon execution of this Agreement if requested and as deemed necessary.	No
Counterparty	Such other documents as Bank may reasonably request in connection with each transaction.	Promptly upon request.	Yes

Part 3

Miscellaneous

(1) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York without reference to choice of law doctrine.

(2) Notices.

(a) In connection with Section 10, all notices to Bank shall, with respect to any particular Transaction, be sent to the address, telex number or facsimile number specified in the relevant Confirmation, and any notice for purposes of Sections 5 or 6 shall be sent to the address, telex number or facsimile number specified below.

First National Bank of Boston
100 Federal Street
Boston, MA 02110
Attention:
Telex:
Answerback:
Facsimile No.:

(b) In connection with Section 10, all notices to the Counterparty shall, with respect to any particular Transaction, be sent to the address, telex number or facsimile number specified in the relevant Confirmation and any notice for purposes of Section 5 or 6 shall be sent to the address, telex number or facsimile number specified below:

CMG Information Services, Inc.
187 Ballardvale Street
Suite B110
Wilmington, MA 01887-7000
Attention:
Telex:
Answerback:
Facsimile No.:

(3) Netting of Payments. Section 2(c)(ii) of this Agreement will apply with respect to all Transactions under this Agreement.

(4) Credit Support Documents

With respect to this Agreement, Credit Support Document means the ISDA Credit Support Annex, dated the date hereof, between the parties hereto, which shall provide credit support for the obligations of the Counterparty to the Bank and which shall have an Independent Amount equal to $7,000,000.

(5) Credit Support Provider

None.

Part 4

Other Provisions

(1) ISDA Definitions. Reference is hereby made to the 1991 ISDA Definitions (the "ISDA Definitions") each as published by the International Swaps and Derivatives Association, Inc., which are hereby incorporated by reference herein. Any terms used and not otherwise defined herein which are contained in the ISDA Definitions shall have the meaning set forth therein.

(2) Set-off. "Set-off" shall, for purposes of this Agreement and any Credit Support Document, have the meaning set forth in Section 12 and shall include without limitation the

rights in Section 6(f). Section 6 of this Agreement is modified to include the following additional sub-clause (f):

"(f) Set-off. Any amount (the "Early Termination Amount") payable to one party (the "Payee") by the other party (the "Payer") under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party will, at the option of the party ("X") other than the Defaulting Party or Affected Party (and without prior notice to same) be reduced by its set-off against any amount(s) (the "Other Agreement Amount") payable (whether at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payer (irrespective of the place of payment or booking office of such obligation) under any other agreement(s) between the Payee and the Payer or instrument(s) or undertaking(s) issued or executed by one party to, or in favor of, the other party (and the Other Agreement Amount(s) will be discharged promptly and in all respects to the extent it is so set-off). X will give notice to the other party of any set-off effected under this Section 6(f).

If an obligation is unascertained, X may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off otherwise available to a party (whether by operation of law, contract, or otherwise)."

(3) Calculation Agent. The Calculation Agent will be Bank.
---

(4) Severability. In the event any one or more of the provisions contained in
---
this Agreement should be held invalid, illegal, or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor, in good faith negotiations, to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

(5) Non-Reliance. In connection with the negotiation of the entering into, and
---
the confirming of the execution of this Agreement, each Transaction, and any other documentation

relating to this Agreement to which the Counterparty is a party or that the Counterparty is required by this Agreement to deliver:

(i) the Counterparty is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisors as it has deemed necessary;

(ii) the Counterparty is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel, or representations (whether written or oral) of the other party to this Agreement, each Transaction or such other documentation other than the representations expressly set forth in this Agreement, and in any Confirmation; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction;

(iii) the Counterparty has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment, hedging and trading decisions (including decisions regarding the suitability of any Transaction pursuant to this Agreement) based upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the other party to this Agreement, each Transaction or such other documentation;

(iv) the Counterparty is capable of assessing the merits of and evaluating and understanding (on its own behalf or through independent professional advice), and it has a full understanding of all the terms, conditions, and risks (economic and otherwise) of the Agreement, each Transaction, and such other documentation and is capable of assuming and willing to assume (financially and otherwise) those risks;

(v) the Counterparty is entering into this Agreement, each Transaction, and such other documentation for

the purposes of managing its borrowings or investments, hedging its underlying assets or liabilities or in connection with a line of business and not for purposes of speculation;

(vi) the Counterparty is entering into this Agreement, each Transaction, and such other documentation as principal, and not as agent or in any other capacity, fiduciary or otherwise; and

(vii) the Bank (a) is not acting as a fiduciary or financial, investment or commodity trading advisor for it; (b) has not given to the Counterparty (directly or indirectly through any other person) any assurance, guaranty or representation whatsoever as to the merits (either legal, regulatory, tax, financial, accounting or otherwise) of this Agreement, each Transaction, and such other documentation; and (c) has not committed to unwind the Transactions.

(6) Waiver of Jury Trial. Each party hereby irrevocably waives any and all right to trial by jury in any proceedings arising out of or relating to this Agreement or any transaction contemplated hereby.

(7) Confidentiality. The existence of this Agreement, its contents and the existence of and contents and all other instruments and documents relating to this Agreement, and any information made available by one party to the other party with respect to this Agreement or any Transaction hereunder is confidential and shall not be discussed with or disclosed to any third party (nor shall any public announcement or press release relating to this Agreement or any Transaction hereunder be made by either party, except with the prior written consent of the other party hereto), except for such information (i) as may become generally available to the public, (ii) as may be required or appropriate in response to any summons, or otherwise in connection with any litigation or to comply with any applicable law, order, regulation, ruling, or accounting disclosure rule or standard (iii) as may be obtained from a non-confidential source that disclosed such information in a manner that did not violate its obligations to the other party in making such disclosure, or (iv) as may be furnished to that party's auditors, attorneys, advisors, or financial institutions with which the party has a written agreement or which are otherwise required to keep the information that is disclosed in confidence.

Please confirm your agreement to be bound by the terms of the foregoing by executing the copy of this Confirmation enclosed for that purpose and returning it to us.

Very truly yours,

THE FIRST NATIONAL BANK OF BOSTON

By: /s/ Randy Kautin

Name: Randy Kautin
Title:

Accepted and confirmed as of
the date first above written

CMG INFORMATION SERVICES, INC.

By: /s/ Andrew J. Hajducky

Name:
Title:

Exhibit 10.41

(Bilateral Form) (ISDA Agreements Subject to New York Law Only)

ISDA(R)
International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the

ISDA Master Agreement (Local Currency)

dated as of January 14, 1997

between

The First National Bank of Boston ("Party A") and CMG Information Services, Inc. ("Party B")

This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows: --

Paragraph 1. Interpretation

(a) Definitions and Inconsistency. Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) Secured Party and Pledgor. All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity; provided, however, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

Paragraph 2. Security Interest

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien

granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.

Paragraph 3. Credit Support Obligations

(a) Delivery Amount. Subject to Paragraphs 4 and 5, upon a demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "Delivery Amount" applicable to the Pledgor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.

(b) Return Amount. Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds the Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "Return Amount" applicable to the Secured Party for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party

exceeds

(ii) the Credit Support Amount.

"Credit Support Amount" means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold; provided, however, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions

(a) Conditions Precedent. Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) Transfer Timing. Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) Calculations. All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

(d) Substitutions.

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the "Substitute Credit Support"); and

(ii) Subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the "Substitution Date"); provided that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

Paragraph 5. Dispute Resolution

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible credit Support or Posted credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute;

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; provided that if four quotations are not available for a particular Transaction

(or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction); and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction); and

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice b the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.

Paragraph 6. Holding and Using Posted Collateral

(a) Care of Posted Collateral. Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) Eligibility to Hold Posted Collateral; Custodians.

(i) General. Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a "Custodian") to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.

(ii) Failure to Satisfy Conditions. If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.

(iii) Liability. The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) Use of Posted Collateral. Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified condition and no Early

Termination Date has occurred or been designated as the result of an Event of Default or Specified condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:

(i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and

(ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) Distributions and Interest Amount.

(i) Distributions. Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).

(ii) Interest Amount. Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

Paragraph 7. Events of Default

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

(i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;

(ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or

(iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

Paragraph 8. Certain Rights and Remedies.

(a) Secured Party's Rights and Remedies. If at any time (1) an Event of Default of Specified Condition with respect to the Pledgor has occurred and is continuing or (2) and Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

(i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;

(iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.

(b) Pledgor's Rights and Remedies. If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement):

(i) the Pledgor may exercise all rights and remedies available to a pledgor under applicable laws with respect to Posted Collateral held by the Secured Party;

(ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;

(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

(c) Deficiencies and Excess Proceeds. The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

(d) Final Returns. When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.

Paragraph 9. Representations

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;

(ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and

(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2.

Paragraph 10. Expenses

(a) General. Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.

(b) Posted Credit Support. The Pledgor will promptly pay when due all taxes, assessments or charges of any neither that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result form the exercise of the Secured Party's rights under Paragraph 6(c).

(c) Liquidation/Application of Posted Credit Support. All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

Paragraph 11. Miscellaneous

(a) Default Interest. A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obligated to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(b) Further Assurances. Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.

(c) Further Protection. The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c).

(d) Good Faith and Commercially Reasonable Manner. Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

(e) Demands and Notices. All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.

(f) Specifications of Certain Matters. Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

Paragraph 12. Definitions

As used in this Annex: --

"Cash" means the lawful currency of the United States of America.

"Credit Support Amount" has the meaning specified in Paragraph 3.

"Custodian" has the meaning specified in Paragraphs 6(b)(i) and 13.

"Delivery Amount" has the meaning specified in Paragraph 3(a).

"Disputing Party" has the meaning specified in Paragraph 5.

"Distributions" means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

"Eligible Collateral" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"Eligible Credit Support" means Eligible Collateral and Other Eligible Support.

"Exposure" means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; provided that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of "Market Quotation").

"Independent Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Interest Amount" means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

(x) the amount of that Cash on that day; multiplied by
(y) the Interest Rate in effect for that day; divided by
(z) 360.

"Interest Period" means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

"Interest Rate" means the rate specified in Paragraph 13.

"Local Business Day", unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.

"Minimum Transfer Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Notification Time" has the meaning specified in Paragraph 13.

"Obligations" means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

"Other Eligible Support" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"Other Posted Support" means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

"Pledgor" means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

"Posted Collateral" means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6 (d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

"Posted Credit Support" means Posted Collateral and Other Posted Support.

"Recalculation Date" means the Valuation Date that gives rise to the dispute under Paragraph 5; provided, however, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the "Recalculation Date" means the most recent Valuation Date under Paragraph 3.

"Resolution Time" has the meaning specified in Paragraph 13.

"Return Amount" has the meaning specified in Paragraph 3(b).

"Secured Party" means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.

"Specified Condition" means, with respect to a party, any event specified as such for that party in Paragraph 13.

"Substitute Credit Support" has the meaning specified in Paragraph 4(d)(i).

"Substitution Date" has the meaning specified in Paragraph 4(d)(ii).

"Threshold" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Transfer" means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

(iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

"Valuation Agent" has the meaning specified in Paragraph 13.

"Valuation Date" means each date specified in or otherwise determined pursuant to Paragraph 13.

"Valuation Percentage" means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

"Valuation Time" has the meaning specified in Paragraph 13.

"Value" means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to:

(i) Eligible Collateral or Posted Collateral that is:

(A) Cash, the amount thereof; and

(B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;

(ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and

(iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.

Paragraph 13. Elections and Variables

(a) Security Interest for "Obligations". The term "Obligations" as used in this Annex includes the following additional obligations:

With respect to Party A: ..None.....

With respect to Party B: ..None.....

(b) Credit Support Obligations.

(i) Delivery Amount, Return Amount and Credit Support Amount

(A) "Delivery Amount" has the meaning specified in Paragraph 3(a), unless otherwise specified here.....

(B) "Return Amount" has the meaning specified in Paragraph 3(b), unless otherwise specified here.....

(C) "Credit Support Amount" has the meaning specified in Paragraph 3, unless otherwise specified here.....

(ii) Eligible Collateral. The following items will qualify as "Eligible Collateral" for the party specified:

		Party A	Party B	Valuation Percentage
(A)	Cash	[ ]	[X]	[ ]%100
(B)	negotiable debt obligations issued by the U.S. Treasury Department having an original maturity at issuance of not more than one year ("Treasury Bills")	[ ]	[X]	[ ]%100
(C)	negotiable debt obligations issued by the U.S. Treasury Department having an original maturity at issuance of more than one year but not more than 10 years ("Treasury Notes")	[ ]	[X]	[ ]%99
(D)	negotiable debt obligations issued by the U.S. Treasury Department having an original maturity at issuance of more than 10 years ("Treasury Bonds")	[ ]	[X]	[ ]%98
(E)	other: with the consent of Party A, Lycos, Inc. (LCOS) shares and any other publicly-traded shares, up to a limit of 25% of the outstanding shares on the Trade Date.	[ ]	[ ]	[ ]%100

(iii) Other Eligible Support. The following items will qualify as "Other Eligible Support" for the party specified:

	Party A	Party B
(A)	[ ]	[ ]
(B)	[ ]	[ ]

(iv) Thresholds.

(A) "Independent Amount" means with respect to Party A: $.NONE.....
"Independent Amount" means with respect to Party B: $.7,000,000.....

(B) "Threshold" means with respect to Party A: $.0.....
"Threshold" means with respect to Party B: $.0.....

(C) "Minimum Transfer Amount" means with respect to Party A: $.100,000.....
"Minimum Transfer Amount" means with respect to Party B: $.10,000.....

(D) Rounding. The Delivery Amount and the Return Amount will be rounded down to the nearest integral multiple of $1/up and down to the nearest integral multiple of $1, respectively./*/

(c) Valuation and Timing.

(i) "Valuation Agent" means, for purposes of Paragraph 3 and 5, the party making the demand under Paragraph 3, and, for purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable, unless specified here: Party A.

(ii) "Valuation Date" means: Each Friday that is a Business Day in Boston and New York.

(iii) "Valuation Time" means:

[ ] the close of business in the city of the Valuation Agent on the Valuation Date of date of calculation, as applicable;

[x] the close of business on the Local Business Day before the Valuation Date or date of calculation, as applicable;

provided that the calculations of Value and Exposure will be made as of approximately the same time on the same date.

(iv) "Notification Time" means 1:00 p.m., New York time, on a Local Business Day, unless otherwise specified here:.....

(d) Conditions Precedent and Secured Party's Rights and Remedies. The following Termination Event(s) will be a "Specified Condition" for the party specified (that party being the Affected Party if the Termination Event occurs with respect to that party):

- ----------

* Delete as applicable

	Party A	Party B
Illegality	[x]	[x]
Tax Event	[x]	[x]
Tax Event Upon Merger	[x]	[x]
Credit Event Upon Merger	[x]	[x]
Addition Termination Event(s):/1/		
.....	[ ]	[ ]
.....	[ ]	[ ]

(e) Substitution.

(i) "Substitution Date" has the meaning specified in Paragraph 4(d)(ii), unless otherwise specified here:.....

(ii) Consent. If specified here as applicable, then the Pledgor must obtain the Secured Party's consent for any substitution pursuant to Paragraph 4(d): [applicable/nonapplicable*]/2/

(f) Dispute Resolution.

(i) "Resolution Time" means 1:00 p.m., New York time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 5, unless otherwise specified here:.....

(ii) Value. For the purpose of Paragraph 5(i)(C) and 5(ii), the Value of Posted Credit Support will be calculated as follows:.....

(iii) Alternative. The provisions of Paragraph 5 will apply, unless an alternative dispute resolution procedure is specified here:.....

(g) Holding and Using Posted Collateral.

(i) Eligibility to Hold Posted Collateral; Custodians. Party A and its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b); provided that the following conditions applicable to it are satisfied:

(1) Party A is not a Defaulting Party.

(2) Posted Collateral may be held only in the following jurisdictions: .....

(3) .....

- ---

* Delete as applicable.

/1/ If the parties elect to designate an Additional Termination Event as a "Specified Condition", then they should only designate one or more Additional Termination Events that are designated as such in their Schedule.

/2/ Parties should consider selecting "applicable" where substitution without consent could give rise to a registration requirement to perfect properly the security interest in Posted Collateral (e.g., where a party to the Annex is the New York branch of an English bank.)

Initially, the Custodian for Party A is ..Brown Brothers Harriman & Co.....

Party B and its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b); provided that the following conditions applicable to it are satisfied:

(1) Party B is not a Defaulting Party.

(2) Posted Collateral may be held only the following jurisdictions:.....

(3) .....

Initially, the Custodian for Party B is.....

(ii) Use of Posted Collateral. The provisions of Paragraph 6(c) will not apply to the party specified here:

[x] Party A

[ ] Party B

and [that party/those parties*] will not be permitted to:

(h) Distributions and Interest Amount

(i) Interest Rate. The "Interest Rate" will be: 0; for Cash the Interest will be specified by Party A as a percentage

(ii) Transfer of Interest Amount. The Transfer of the Interest amount will be made on the last Local Business Day of each calendar month and on any Local Business Day that Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b), unless otherwise specified here:.....

(iii) Alternative to Interest Amount. The provisions of Paragraph 6(d)(ii) will apply, unless otherwise specified here:.....

(i) Additional Representation(s).

Party B represents to the other party (which representation(s) will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

(i) .....

(ii) .....

- ----------

* Delete as applicable.

(j) Other Eligible Support and Other Posted Support.

(i) "Value" with respect to Other Eligible Support and Other Posted Support means:

(ii) "Transfer" with respect to Other Eligible Support and Other Support means:

(k) Demands and Notices.

All demands, specifications and notices under this Annex will be made pursuant to the Notices Section of this Agreement, unless otherwise specified here:

Party A: The First National Bank of Boston, 100 Federal Street, Boston, Massachusetts 02110

Party B: CMG Information Systems, Inc., 187 Ballardvale Street, Suite B110 Wilmington, Massachusetts 01887-7000

(l) Addresses for Transfers.

Party A: ..To be advised.....
.....

Party B: ..To be advised.....
.....

(m) Other Provisions. Posted Collateral shall include the collateral transferred by Party B to Long Lane Master Trust on or prior to the Effective Date.

Notwithstanding anything herein to the contrary, Party B shall be required to post additional Eligible Collateral at the times and manner specified herein if on any Valuation Date the aggregate market value of the Posted Collateral is equal to or less than $12,500,000.

Exhibit 10.42

REPURCHASE AGREEMENT

This Repurchase Agreement, dated as of January 14, 1997, is made by and between CMG @ Ventures L.P. ("CMG"), a Delaware limited partnership, CMG Information Services, Inc., a Delaware corporation ("CMGI"), and Long Lane Master Trust, a Delaware business trust (the "Trust").

WHEREAS, CMGI has entered into an ISDA Swap Agreement, and schedule and confirmation thereto, each dated as of January 14, 1997, (collectively, the "Swap Agreement") with The First National Bank of Boston (the "Bank") whereby the Bank has agreed to provide financing to CMG Information in accordance with the terms of the Swap Agreement;

WHEREAS, in connection with such financing, the Bank will cause the Trust to issue securities (the "Securities"), the proceeds of which will be utilized to provide such financing to CMG Information;

WHEREAS, in conjunction with the issuance of such securities by the Trust, CMG will pledge and transfer to the Trust its right, title and interest to shares of common stock of Lycos, Inc. with an aggregate market value of at least $10,000,000 (the "Shares") to secure the obligations of CMGI to the Bank;

NOW THEREFORE, BE IT RESOLVED, the parties hereto agree as follows:

1. Holding of Shares. The Trust hereby accepts delivery of the Shares and shall pledge such Shares to First Trust of New York, N.A., as indenture trustee for the Securities in accordance with the terms of the Trust Agreement and supplement thereto, each dated as of January 14, 1997, between the Bank, as grantor and the Trust. The Trust further agrees that it will not sell, pledge or hypothecate and/or otherwise transfer of the Shares except in accordance with this Agreement; provided, however, that the parties hereto acknowledge that the Trust will pledge the Shares to First Trust of New York, N.A., as indenture trustee for the Securities.

2. Repurchase of Shares. The parties hereto agree that upon the earlier to occur of (i) the termination of the Swap Agreement in accordance with its terms; (ii) the liquidation of the Shares in accordance with the terms of the Trust Indenture, dated as of January 14, 1997, between the Trust and First Trust of New York, as indenture trustee due to the occurrence of an event of default thereunder or (iii) January 17, 1998, CMGI shall repurchase the Shares on behalf of CMG from the Trust in the manner set forth herein. The Trust shall send immediate written notification to CMG upon the occurrence of an event described in clauses (i) or (ii) above. No notification shall be required

with respect to the repurchase of Shares on January 17, 1998. Within one business day of receipt of such notification, CMG shall send written notification to the Trust of its intent to repurchase the Shares on behalf of CMG, together with a request for wiring instructions for the purchase price of the Shares.

3. Purchase Price. The purchase price for the Shares shall be the fair market value of the Shares, as determined by the Bank, three business days prior to the date of delivery of such Shares to CMG. CMGI shall deposit the purchase price, in immediately available funds, at the account designated by the Trust on or prior to the date of delivery of such Shares to CMG.

4. Release of Lien. Upon receipt of notification that the purchase price has been received from CMGI, the Trust will cause the lien created on the Shares pursuant to the Trust Indenture to be released and shall cause the Shares to be delivered to CMG or its designee.

5. Obligation Unconditional. The obligation of CMGI to repurchase the Shares on behalf of CMG hereunder is absolute and unconditional without any right of offset or counterclaim.

6. Default by CMG. CMG and CMGI hereby agree that if CMGI fails to repurchase the Shares at the times and manner set forth herein, the Trust shall be free to sell the Shares without restriction to any other party without further notice to CMG or CMGI.

7. Voting of Shares. The parties hereto agree that the Shares shall be voted in accordance with the Assignment of Voting Rights Agreement, dated as of January 14, 1997, between the Trust and CMG.

8. Governing Law. The Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflict of law provisions thereof.

9. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which shall together constitute one Agreement.

10. Owner Trustee. The Owner Trustee is executing this document solely in its capacity as trustee under the Trust Agreement and, as such, the Owner Trustee shall incur no personal liability in connection therewith.

IN WITNESS WHEREOF, the parties hereto have caused to be executed by their respective officers, thereunto duly authorized, as of the day and year first above written.

LONG LANE MASTER TRUST

By: DELAWARE TRUST CAPITAL MANAGEMENT, INC. not in its individual capacity but solely as Owner Trustee

By: /s/ Richard N. Smith

Name: Richard N. Smith
Title: Vice President

CMG @ VENTURES L.P.

By: /s/ Andrew J. Hajducky

Name: Andrew J. Hajducky
Title:

Exhibit 10.43

FIRST AMENDMENT AND WAIVER TO REVOLVING CREDIT AND TERM LOAN AGREEMENT

FIRST AMENDMENT AND WAIVER TO REVOLVING CREDIT AND TERM LOAN AGREEMENT, dated as of March 14, 1997 (this "Amendment"), by and among SALESLINK CORPORATION (the "Borrower"), CMG INFORMATION SERVICES, INC. (the "Parent Guarantor"), PACIFIC DIRECT MARKETING CORP. (the "Subsidiary Guarantor"), THE FIRST NATIONAL BANK OF BOSTON and the other lending institutions listed on Schedule 1 to the Credit Agreement (collectively, the "Banks") and THE FIRST - -------- - NATIONAL BANK OF BOSTON as agent for the Banks (in such capacity, the "Agent"), amending certain provisions of the Revolving Credit and Term Loan Agreement, dated as of October 24, 1996 (the "Credit Agreement"), by and among the Borrower, the Parent Guarantor, the Subsidiary Guarantor, the Agent and the Banks. Terms not otherwise defined herein which are defined in the Credit Agreement shall have the same respective meanings herein as therein.

WHEREAS, the Borrower and the Banks and the Agent desire to amend and waive certain provisions of the Credit Agreement as provided more fully herein below;

NOW THEREFORE, in consideration of the mutual agreements contained in the Credit Agreement and herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

(S)1. Amendment to Section 4 of the Credit Agreement. Section 4.6 of the Credit Agreement is hereby amended by deleting such (S)4.6 and restating it in its entirety as follows:

4.6. Letter of Credit Fees. The Borrower shall, on the date of issuance or of any extension or renewal of the Letter of Credit and at such other time or times as such changes are customarily made by the Agent, pay a fee (in each case a "Letter of Credit Fee") to the Agent in an amount equal to one percent (1%) per annum of the face amount of such Letter of Credit (of which 1/8 of such 1% shall be retained for the account of the Agent as issuer of such Letter of Credit), plus the Agent's customary issuance, amendment and other administrative processing fees, such Letter of Credit Fee (other than the 1/8 of such 1% and not such issuance, amendment or administrative fee) to be for the accounts of the Banks in accordance with their respective Commitment Percentages.

(S)2. Amendment to Section 9 of the Credit Agreement. Section 9.3(f) of the Credit Agreement is hereby amended by deleting such (S)9.3(f) and restating it in its entirety as follows:

(f) permit (i) the Parent Guarantor's Unencumbered Cash to be less than (A) $10,000,000 at any time from the Closing Date through November 30, 1996, (B) $20,000,000 at any time from December 1, 1996 through February 28, 1997, and (C) $15,500,000 at any time thereafter; and (ii) the Parent Guarantor's and its Subsidiaries Unencumbered Cash to be less than (A) $35,000,000 at any time from the Closing Date through February 28, 1997, and (B) $31,000,000 at any time thereafter.

(S)3. Waiver to the Credit Agreement. Pursuant to (a) (S)9.3(c) of the Credit Agreement, the Parent Guarantor and the Borrower have agreed that they will not permit the ratio of the Borrower's Consolidated Operating Cash Flow to Consolidated Total Debt Service as at December 31, 1996 to be less than 2.50:1.00; and (b) (S)9.3(f)(i) of the Credit Agreement, the Parent Guarantor and the Borrower have agreed that they will not permit the Parent Guarantor's Unencumbered Cash to be less than (i) $10,000,000 at any time from the Closing Date through November 30, 1996 and (ii) $20,000,000 during the period from December 1, 1996 through February 28, 1997. Notwithstanding the foregoing, the Banks and the Agent hereby waive, (a) solely for the fiscal quarter ended December 31, 1996 compliance with the provisions of (S)9.3(c) of the Credit Agreement; and (b) solely for the period from November 1, 1996 through February 28, 1997, compliance with the provisions of (S)9.3(f)(i) of the Credit Agreement.

(S)4. Conditions to Effectiveness. This Amendment shall not become effective until the Agent shall have received a counterpart of this Amendment executed by the Borrower, the Parent Guarantor, the Subsidiary Guarantor, the Agent and the Banks.

(S)5. Representations and Warranties. Each of the Borrower, the Parent Guarantor, and the Subsidiary Guarantor hereby represents and warrants to the Agent and the Banks as follows:

(a) Representation and Warranties in the Credit Agreement. The representations and warranties of each of the Borrower, the Parent Guarantor, and the Subsidiary Guarantor contained in the Credit Agreement were true and correct in all material respects as of the date when made and continue to be true and correct in all material respects on the date hereof, except to the extent of changes resulting from transactions or events contemplated by the Credit Agreement and the other Loan Documents and changes occurring in the ordinary course of business that singly or in the aggregate are not materially adverse to the Borrower, the Parent Guarantor, or the Subsidiary Guarantor, or to the extent that such representations and warranties relate expressly to an earlier date.

(b) Ratification, Etc. Except as expressly amended hereby, the Credit Agreement, and all documents, instruments and agreements related thereto, are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Credit Agreement, shall together with this Amendment, be read and construed as a

single agreement. All references in the Credit Agreement or any related agreement or instrument shall hereafter refer to the Credit Agreement as amended hereby.

(c) Authority, Etc. The execution and delivery by each of the Borrower, the Parent Guarantor, and the Subsidiary Guarantor of this Amendment and the performance by each of the Borrower, the Parent Guarantor, and the Subsidiary Guarantor of all of its agreements and obligations under the Credit Agreement as amended hereby are within the corporate authority of the Borrower, the Parent Guarantor, and the Subsidiary Guarantor and have been duly authorized by all necessary corporate action on the part of the Borrower, the Parent Guarantor, and the Subsidiary Guarantor.

(d) Enforceability of Obligations. This Amendment and the Credit Agreement as amended hereby constitute the legal, valid and binding obligations of the Borrower, the Parent Guarantor, and the Subsidiary Guarantor enforceable against the Borrower, the Parent Guarantor, and the Subsidiary Guarantor in accordance with their terms, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of, creditors' rights and except to the extent that availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

(e) No Default. No Default or Event of Default has occurred and is continuing, and no Default or Event of Default will exist after execution and delivery of this Amendment.

(S)6. No Other Amendments or Waivers. Except as expressly provided in this Amendment, all of the terms and conditions of the Credit Agreement and the other Loan Documents remain in full force and effect.

(S)7. Execution in Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but which together shall constitute one instrument.

(S)8. Expenses. Pursuant to (S)14 of the Credit Agreement, all costs and expenses incurred or sustained by the Agent in connection with this Amendment, including the fees and disbursements of legal counsel for the Agent in producing, reproducing and negotiating the Amendment, will be for the account of the Borrower whether or not the transactions contemplated by this Amendment are consummated.

(S)9. Miscellaneous. THIS AMENDMENT SHALL BE DEEMED TO BE A CONTRACT UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS

APPLICABLE TO CONFLICTS OR CHOICE OF LAW). The captions in this Amendment are for convenience of reference only and shall not define or limit the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as a document under seal as of the date first above written.

SALESLINK CORPORATION

By:

Title:

CMG INFORMATION SERVICES, INC.

By:

Title:

PACIFIC DIRECT MARKETING CORP.

By:

Title:

THE FIRST NATIONAL BANK
OF BOSTON, Individually and Agent

By:

Title:

ASSUMPTION, SECOND AMENDMENT AND CONFIRMATION AGREEMENT

This ASSUMPTION, SECOND AMENDMENT AND CONFIRMATION AGREEMENT (this "Agreement") is made as of July 11, 1997, by and among SALESLINK CORPORATION, a Delaware corporation having its principal place of business at 25 Drydock Avenue, Boston, Massachusetts 02210 (the "New Borrower") and BANKBOSTON, N.A. (formerly known as The First National Bank of Boston) and the other lending institutions set forth on the Schedule 1 to the Credit Agreement (as hereinafter defined) (collectively, the "Banks").

WHEREAS, SalesLink Corporation, a Massachusetts corporation (the "Old Borrower"), the Banks and BankBoston, N.A. as agent for the Banks (in such capacity, the "Agent") have previously entered into a Revolving Credit and Term Loan Agreement, dated as of October 24, 1996 (as amended and in effect from time to time, the "Credit Agreement");

WHEREAS, the Old Borrower has been merged into the New Borrower pursuant to a merger (the "Merger") in which the New Borrower was the surviving corporation;

WHEREAS, immediately prior to the effectiveness of the Merger, certain of the business assets previously owned by the Old Borrower were transferred as a capital contribution to the New Borrower, a wholly-owned Subsidiary of the Old Borrower (the "Initial Asset Transfer", and, together with the Merger, the "Transactions");

WHEREAS, capitalized terms used and not defined in this Agreement shall have the meanings ascribed thereto in the Credit Agreement;

WHEREAS, the Banks have agreed to increase the Total Revolving Credit Commitment as provided on Schedule 1 attached hereto to $4,500,000;

WHEREAS, the parties wish to confirm the assumption by the New Borrower of the Obligations, to maintain in full force in effect the Obligations, and to modify the Loan Documents in certain respects to reflect the occurrence of the Transactions and the other transactions contemplated hereby;

NOW THEREFORE, the parties hereto hereby agree as follows:

1. Assumption of Obligations. The New Borrower hereby expressly assumes, confirms, and agrees to pay, perform, observe and maintain in full force and effect, all of the covenants, agreements, obligations, liabilities and indebtedness constituting the Obligations of the Old Borrower, including, without limitation, any and all Obligations in respect of principal, interest, fees, expenses, and other amounts payable or to become payable by the Old Borrower under the Credit Agreement or the other Loan Documents. The New Borrower confirms that the Obligations are and shall be Obligations of the New

Borrower. In addition, the New Borrower hereby assumes any liability of the Old Borrower related to any representation or warranty made by the Old Borrower in any of the Loan Documents. The parties hereto agree that this Agreement shall be deemed to be a "Loan Document" under the Credit Agreement.

2. Joinder of New Borrower to Loan Documents. From and after the date hereof, the New Borrower is and shall be subject to and bound by, and shall be entitled to all the benefits of, the Loan Documents, and shall be a party thereto, all as if the New Borrower had been the "Borrower" or the "Company" (or any other relevant term used to describe the Old Borrower thereunder) party to the original execution and delivery thereof; and all references in the Loan Documents to the "Borrower" and/or "Company" (or any other relevant term used to describe the Old Borrower thereunder) shall hereafter be deemed to be references to the New Borrower. The preamble to the Credit Agreement and each other applicable Loan Document, and any other applicable provisions of the Loan Documents, shall hereafter be deemed modified to reflect the provisions of this paragraph.

2.1. Further Assurances. The New Borrower hereby agrees that it shall, at any time and from time to time, upon the reasonable request of the Agent or any Bank, and at the expense of the New Borrower, promptly execute and deliver any and all such further agreements, instruments, and documents and take such further action as the Agent or such Bank may reasonably deem necessary or advisable to effect the purposes of this Agreement.

3. Amendments to Credit Agreement. Subject to the terms and conditions hereof, the Credit Agreement is hereby amended as follows:

3.1. The preamble of the Credit Agreement is amended to reflect that the New Borrower has succeeded the Old Borrower as the Borrower under the Credit Agreement, pursuant to this Agreement.

3.2. Section 1 of the Credit Agreement is hereby amended by deleting each of the definitions of "Cash Equivalents", "Investment Equivalents", "Swap Program" and "Unencumbered Cash" in its entirety.

3.3. Section 1 of the Credit Agreement is hereby further amended by adding the following definitions in the appropriate alphabetical order:

"Collateral: All of the property, rights and interests of the Borrower and its Subsidiaries that are or are intended to be subject to the security interests and mortgages created by the Security Documents."

"Perfection Certificates: Each of the Perfection Certificates of the Borrower and the Subsidiary Guarantor as defined in the Security Agreements."

"Security Agreements: Collectively, (a) the Security Agreement, dated or to be dated on or prior to July 11, 1997, between the Borrower and the Agent and in form and substance satisfactory to the Agent; and (b) the Security Agreement, dated or to be dated on or prior to July 11, 1997, between the Subsidiary Guarantor and the Agent, and in form and substance satisfactory to the Agent, and as each

Security Agreement may be amended, restated, modified and/or supplemented from time to time."

"Security Documents: Collectively, the Security Agreements, each Guaranty, the Trademark Agreements and the Stock Pledge Agreement."

"Stock Pledge Agreement: The Stock Pledge Agreement dated or to be dated on or prior to July 11, 1997 between the Borrower and the Agent and in form and substance satisfactory to the Banks and the Agent."

"Trademark Agreement: The Trademark Collateral Security and Pledge Agreement, dated or to be dated on or prior to July 11, 1997, between the Borrower and the Agent, and in form and substance satisfactory to the Agent, and as such Trademark Agreement may be amended, restated, modified and/or supplemented from time to time."

3.4. Section 7 of the Credit Agreement is hereby amended by (a) deleting the word "and" which appears at the end of (S)7(l); (b) deleting the period which appears at the end of the text of (S)7(m) and inserting in place thereof a semicolon and the word "and"; and (c) inserting immediately after the end of the text of (S)7(m) the following:

"(n) all filings, assignments, pledges and deposits of documents or instruments have been made and all other actions have been taken that are necessary or advisable, under applicable law, to establish and perfect the Agent's security interest in the Collateral. The Collateral and the Agent's rights with respect to the Collateral are not subject to any setoff, claims, withholdings or other defenses. The Borrower and the Subsidiary Guarantor (with respect to the Collateral under the Subsidiary Guarantor's Security Agreement) is the owner of the Collateral free from any lien, security interest, encumbrance and any other claim or demand, except Liens permitted under (S)9.2(b) (the "Permitted Liens")."

3.5. Section 9.1(c)(iii) of the Credit Agreement is hereby amended by deleting the words "the United States" which appear in (S)9.1(c)(iii) and substituting in place thereof the words "in Boston, Massachusetts or at such other place in the United States of America as the Borrower shall designate upon written notice to the Agent".

3.6. Section 9.2 of the Credit Agreement is hereby amended by (a) inserting immediately after the end of the text of (S)9.2(g) the word "and"; (b) deleting the semicolon and the word "and" immediately after the text of (S)9.2(g) and substituting in place thereof a period; and (c) deleting (S)9.2(h) in its entirety.

3.7. Section 9.3 of the Credit Agreement is hereby amended as follows:

(a) Section 9.3(a) of the Credit Agreement is hereby amended by deleting the words "Exceed (i) $1,200,000 in fiscal year 1998, and (ii) $1,000,000 in any fiscal year thereafter" and substituting in place thereof the words "exceed (i) $1,250,000 in fiscal year 1997; (ii) $1,700,000 in fiscal year 1998, and (iii) $1,200,000 in any fiscal year thereafter";

(b) Section 9.3(c) of the Credit Agreement is hereby amended by deleting (S)9.3(c) in its entirety and restating (S)9.3(c) in its entirety as follows:

"(c) permit the ratio of the Borrower's Consolidated Operating Cash Flow to Consolidated Total Debt Service for any Reference Period to be less than 1.25:1.00."

(c) Section 9.3 is further amended by (i) deleting the period at the end of (S)9.3(d) and inserting in place thereof a semicolon and the word "or"; (ii) deleting the semicolon and the word "or" which appears at the end of (S)9.3(e) and inserting in place thereof a period; and (iii) deleting (S)9.3(f) in its entirety.

3.8. Section 10 of the Credit Agreement is hereby amended as follows:

(a) Section 10(g) is hereby amended by inserting immediately after the words "in full force and effect" the words "or if any of the Loan Documents shall be canceled, terminated, revoked or rescinded or the Agent's security interests, mortgages or liens in a substantial portion of the Collateral shall cease to be perfected, or shall cease to have the priority contemplated by the Security Documents, in each case otherwise than in accordance with the terms thereof or with the express prior written agreement, consent or approval of the Banks, or any action at law, suit in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of the Borrower or any of its Subsidiaries party thereto or any of their respective stockholders, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof"; and

(b) Section 10 of the Credit Agreement is further amended by inserting at the end of (S)10 the following:

In the event that, following the occurrence or during the continuance of any Default or Event of Default, the Agent or any Bank, as the case may be, receives any monies in connection with the enforcement of any of the Security Documents, or otherwise with respect to the realization upon any of the Collateral, such monies shall be distributed for application as follows: (a) first, the payment of, or, as the case may be, the reimbursement of the Agent for or in respect of all reasonable costs, expenses, disbursements and losses which shall have been incurred or sustained by the Agent in connection with the collection of such monies by the Agent, for the exercise, protection or enforcement by the Agent of all or any of the rights, remedies, powers and privileges of the Agent under this Credit Agreement or any of the other Loan Documents or in respect of the Collateral and supports the provision of adequate indemnity to the Agent against all taxes or liens which by law shall have, or may have, priority over the rights of the Agent to such monies; (b) second, to all other Obligations in such order or preference as the Majority Banks may determine; provided, however that distributions in respect of such Obligations shall be made (i) pari passu among Obligations

with respect to the Agent's fee payable under (S)6 and all other Obligations and (ii) Obligations owing to the Banks with respect to each type of Obligations such as interest, principal, fees and expenses, shall be made among the Banks pro rata; and provided, further, that the Agent may in its discretion make proper allowance to take into account any Obligations not then due and payable; (c) third, upon payment and satisfaction in full or other provisions for payment in full satisfactory to the Banks and the Agent of all of the Obligations, to the payment of any obligations required to be paid pursuant to (S)9-504(1)(c) of the Uniform Commercial Code of the Commonwealth of Massachusetts; and (d) fourth, the excess, if any, shall be returned to the Borrower or to such other Persons as are entitled thereto."

4. Allonge to the Term Notes. The New Borrower hereby agrees that a copy of this Agreement may be attached to each Term Note and as so attached shall constitute an allonge to the Term Note or the New Borrower shall, at the request of any Bank, execute and deliver to such Bank a new Term Note replacing the Term Note executed and delivered by the Old Borrower.

5. Replacement of Schedule 1. Schedule 1 to the Credit Agreement is hereby amended by deleting Schedule 1 in its entirety and substituting in place thereof the new Schedule 1 attached hereto.

6. Conditions to Effectiveness. This Agreement will become effective as of the date hereof upon the satisfaction of the following conditions precedent:

(a) the Agent shall have received fully-executed original counterparts of this Agreement signed by each of the parties hereto;

(b) the Agent shall have received fully-executed original amended and restated Revolving Credit Notes, payable to each Bank in the amount of such Bank's Commitment;

(c) the Agent shall have received fully-executed original Security Agreements, Perfection Certificates and Trademark Agreements from each of the Borrower and the Subsidiary Guarantor, together with UCC-1 financing statements which the Agent may request in order to perfect the Bank's security interest in all the assets of each of the Borrower and the Subsidiary Guarantor;

(d) the Agent shall have received fully-executed original counterparts of the Stock Pledge Agreement signed by each of the Borrower and the Bank, together with the stock certificates representing the Borrower's ownership interest in the Subsidiary Guarantor, and stock power, duly executed in blank;

(e) all proceedings and documents in connection with the Transactions shall be reasonably satisfactory in form and substance to the Agent and the Agent shall have received (i) a certificate of an officer of the New Borrower, as to (A) the Charter Documents of the New Borrower, (B) the resolutions of the board of directors of the New Borrower with respect to the Transactions and each of the

transactions contemplated hereby, and (C) the names, titles, incumbency and signatures of the officers of the New Borrower who are authorized to execute and deliver this Agreement and the other Loan Documents and (ii) such other documents, instruments and certificates as the Agent shall have reasonably requested;

(f) all proceedings and documents in connection with the Transactions shall be reasonably satisfactory in form and substance to the Agent and the Agent shall have received (i) a certificate of an officer of the Subsidiary Guarantor, as to (A) the Charter Documents of each such Subsidiary, (B) the resolutions of the board of directors of each such Subsidiary with respect to each of the transactions contemplated hereby, and (C) the names, titles, incumbency and signatures of the officers of each such Subsidiary who are authorized to execute and deliver the Security Agreement, the Trademark Agreement, the Perfection Certificate, the financing statements and the other Loan Documents to which the Subsidiary Guarantor is a party and (ii) such other documents, instruments and certificates as the Agent shall have reasonably requested;

(g) the Agent shall be satisfied that (i) the Transactions shall have been consummated without adversely affecting or impairing the rights of the Agent or any of the Banks under the Loan Documents, (ii) the representations and warranties of the New Borrower contained in (S)8 of this Agreement shall be true and correct on the date hereof, (iii) the legal rights and obligations of the parties to the Loan Documents shall continue in full force and effect; and (iv) the Agent shall have a first priority perfected security interest in all the assets of the Borrower and the Subsidiary Guarantor subject to Permitted Liens; and

(h) the Agent shall have received a legal opinion addressed to the Agent from Palmer & Dodge, legal counsel to the Borrower and the Subsidiary Guarantor, such legal opinion to be in form and substance satisfactory to the Agent.

7. Representations and Warranties. In order to induce the Agent and the Banks to enter into this Agreement, the New Borrower hereby represents and warrants to the Agent and the Banks as follows:

7.1. The Transactions, as previously described in writing to the Agent, have been consummated.

7.2. The representations and warranties of the "Borrower" and the "Company" contained in the Credit Agreement and the other Loan Documents, after giving effect to the Transactions and this Agreement, are true and correct in all material respects on the date hereof, as if made on and as of this date, and the Agent and the Banks shall be entitled to rely on such representations and warranties to the same extent as though the same were made by the New Borrower on the date hereof and set forth in full in this Agreement, other than representations which were specific to a certain date specified in the Credit Agreement.

7.3. After giving effect to this Agreement and the consummation of the Transactions, no Default or Event of Default shall have occurred, which has not been waived by the Agent and the Banks, and be continuing.

7.4. Prior to the completion of the Transactions, the New Borrower did not own any assets or have any liabilities, and did not carry on any business.

7.5. The Transactions, the execution, delivery, and performance by the New Borrower of this Agreement, and the assumption by the New Borrower of the Obligations (i) are within the corporate powers of the New Borrower and have been duly authorized by all necessary corporate action on the part of the New Borrower, (ii) do not require any Consents (other than from the Agent and the Banks), except those which have been duly obtained and are in full force and effect, (iii) do not and will not conflict with any Requirement of Law, Charter Document, corporate minute or resolution, (iv) after giving effect to this Agreement and the consummation of the Transactions, do not result in any breach of or constitute a default under any agreement or instrument to which either the New Borrower or the Old Borrower is a party or by which any of them or their properties are bound, and (v) do not result in or require the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any nature upon any of the assets or properties of the New Borrower, other than in favor of the Agent.

7.6. Each of this Agreement and the other documents delivered or to be delivered to the Agent or any Bank in connection herewith has been duly executed and delivered by the New Borrower and constitutes the legal, valid, and binding obligation of the New Borrower, enforceable against the New Borrower in accordance with its terms, except to the extent that (i) enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application affecting the rights and remedies of creditors, (ii) enforcement may be subject to general principles of equity, and (iii) the availability of the remedies of specific performance and injunctive relief may be subject to the discretion of the court before which any proceedings for such remedies may be brought.

8. Scope of this Agreement. Except as specifically provided in this Agreement and as may be necessary to reflect the consummation of the Transactions, all of the terms and provisions of the Credit Agreement and the other Loan Documents are unaffected hereby and shall remain and continue in full force and effect.

9. Expenses. The New Borrower confirms its obligation under the Credit Agreement with respect to the payment of the expenses of the Agent and the Banks incurred in connection with the preparation, negotiation, execution, amendment, administration or enforcement of this Agreement and the other Loan Documents.

10. Governing Law. This Agreement shall be a contract to be governed by and construed in accordance with the internal laws of the Commonwealth of Massachusetts (without regard to principles of conflicts of laws) and shall take effect as an instrument under seal.

11. Successors and Assigns. This Agreement shall be binding upon the New Borrower and its successors and assigns and shall inure to the benefit of the Agent and the Banks and their respective successors and assigns, provided that the New Borrower may not assign or transfer any of their rights or obligations under this Agreement, the Credit Agreement or the other Loan Documents without the prior written consent of the Agent and the Banks.

12. Miscellaneous. The captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof. This Agreement may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as a sealed instrument as of the date first above written.

SALESLINK CORPORATION,
a Delaware corporation

By:

Title:

CMG INFORMATION SERVICES, INC.

By:

Title:

PACIFIC DIRECT MARKETING CORP.

By:

Title:

BANKBOSTON, N.A.

By:

Name:
Title:

IMPERIAL BANK

By:

Name:
Title:

Schedule 1

Bank	Revolving Credit Loan Commitment	Term Loan Commitment	Letter of Credit Commitment	Commitment Percentage
BankBoston, N.A.	$3,048,387.10	$3,725,805.45	$5,080,645.16	67.7419354839%
Domestic Lending Office: 100 Federal St. Boston, MA LIBOR Lending Office: Same as above				
Imperial Bank	$1,451,612.90	$1,774,193.55	$2,419,354.84	32.2580645161%
Domestic Lending Office: 225 Franklin St. Boston, MA LIBOR Lending Office: Same as above				

Exhibit 10.45

TERM NOTE

$1,774,193.55 as of March 14, 1997

FOR VALUE RECEIVED, the undersigned SALESLINK CORPORATION, a Delaware corporation, (the "Borrower"), hereby promises to pay to the order of IMPERIAL BANK, California banking corporation (the "Bank") at the Agent's Head Office (as defined in the Credit Agreement referred to below):

(a) prior to or on the Term Loan Maturity Date the principal amount of ONE MILLION SEVEN HUNDRED SEVENTY FOUR THOUSAND ONE HUNDRED NINETY THREE DOLLARS AND FIFTY FIVE CENTS ($1,774,193.55), evidencing the Term Loan made by the Bank to the Borrower pursuant to the Revolving Credit and Term Loan Agreement dated as of October 24, 1996 (as amended and in effect from time to time, the "Credit Agreement"), by and among the Borrower, the Bank and other parties thereto;

(b) the principal outstanding hereunder from time to time at the times provided in the Credit Agreement; and

(c) interest from the date hereof on the principal amount from time to time outstanding to and including the maturity hereof at the rates and terms and in all cases in accordance with the terms of the Credit Agreement.

This Note evidences borrowings under and has been issued by the Borrower in accordance with the terms of the Credit Agreement. The Bank and any holder hereof is entitled to the benefits of the Credit Agreement, the Guaranty and the other Loan Documents, and may enforce the agreements of the Borrower contained therein, and any holder hereof may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the respective terms thereof. All capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

The Borrower irrevocably authorizes the Bank to make or cause to be made, at the time of receipt of any payment of principal of this Note, an appropriate notation on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, reflecting the receipt of such payment. The outstanding amount of the Term Loan set forth on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, maintained by the Bank with respect

to the Term Loan shall be prima facie evidence of the principal amount of the Term Loan owing and unpaid to the Bank, but the failure to record, or any error in so recording, any such amount on any such grid, continuation or other record shall not limit or otherwise affect the obligation of the Borrower hereunder or under the Credit Agreement to make payments of principal of and interest on this Note when due.

The Borrower has the right in certain circumstances and the obligation under certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

No delay or omission on the part of the Bank or any holder hereof in exercising any right hereunder shall operate as a waiver of such right or of any other rights of the Bank or such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar or waiver of the same or any other right on any future occasion.

The Borrower and every endorser and guarantor of this Note or the obligation represented hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

THIS NOTE AND THE OBLIGATIONS OF THE BORROWER HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND THE CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER BY MAIL AT THE ADDRESS SPECIFIED BENEATH THE BORROWER'S SIGNATURE ON THE SIGNATURE PAGE OF THE CREDIT AGREEMENT. THE BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

This Note shall be deemed to take effect as a sealed instrument under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the undersigned has caused this Note to be signed in its corporate name and its corporate seal to be impressed thereon by its duly authorized officer as of the day and year first above written.

[Corporate Seal]

SALESLINK CORPORATION

By:

Title:

Exhibit 10.46

AMENDED AND RESTATED TERM NOTE

$3,725,806.45 as of March 14, 1997

FOR VALUE RECEIVED, the undersigned SALESLINK CORPORATION, a Delaware corporation, (the "Borrower"), hereby promises to pay to the order of THE FIRST NATIONAL BANK OF BOSTON, a national banking association (the "Bank") at the Agent's Head Office (as defined in the Credit Agreement referred to below):

(a) prior to or on the Term Loan Maturity Date the principal amount of THREE MILLION SEVEN HUNDRED TWENTY FIVE THOUSAND EIGHT HUNDRED SIX THOUSAND DOLLARS FORTY FIVE CENTS ($3,725,806.45), evidencing the Term Loan made by the Bank to the Borrower pursuant to the Revolving Credit and Term Loan Agreement dated as of October 24, 1996 (as amended and in effect from time to time, the "Credit Agreement"), by and among the Borrower, the Bank and other parties thereto;

(b) the principal outstanding hereunder from time to time at the times provided in the Credit Agreement; and

(c) interest from the date hereof on the principal amount from time to time outstanding to and including the maturity hereof at the rates and terms and in all cases in accordance with the terms of the Credit Agreement.

This Note constitutes the amendment and restatement in its entirety of the Term Note issued by the Borrower to the Bank in the original principal amount of $5,500,000, dated as of October 24, 1996 (the "Original Note") and is issued in substitution therefor and an amendment and replacement thereof. Nothing herein or in any other document shall be construed to constitute payment of the Original Note or to release or terminate any guaranty, lien, mortgage, pledge or other security interest in favor of the Bank.

This Note evidences borrowings under and has been issued by the Borrower in accordance with the terms of the Credit Agreement. The Bank and any holder hereof is entitled to the benefits of the Credit Agreement, the Guaranty and the other Loan Documents, and may enforce the agreements of the Borrower contained therein, and any holder hereof may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the respective terms thereof. All capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

The Borrower irrevocably authorizes the Bank to make or cause to be made, at the time of receipt of any payment of principal of this Note, an appropriate notation on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, reflecting the receipt of such payment. The outstanding amount of the Term Loan set forth on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, maintained by the Bank with respect to the Term Loan shall be prima facie evidence of the principal amount of the Term Loan
owing and unpaid to the Bank, but the failure to record, or any error in so recording, any such amount on any such grid, continuation or other record shall not limit or otherwise affect the obligation of the Borrower hereunder or under the Credit Agreement to make payments of principal of and interest on this Note when due.

The Borrower has the right in certain circumstances and the obligation under certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

No delay or omission on the part of the Bank or any holder hereof in exercising any right hereunder shall operate as a waiver of such right or of any other rights of the Bank or such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar or waiver of the same or any other right on any future occasion.

The Borrower and every endorser and guarantor of this Note or the obligation represented hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

THIS NOTE AND THE OBLIGATIONS OF THE BORROWER HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND THE CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER BY MAIL AT THE ADDRESS SPECIFIED

BENEATH THE BORROWER'S SIGNATURE ON THE SIGNATURE PAGE OF THE CREDIT AGREEMENT. THE BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

This Note shall be deemed to take effect as a sealed instrument under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the undersigned has caused this Note to be signed in its corporate name and its corporate seal to be impressed thereon by its duly authorized officer as of the day and year first above written.

[Corporate Seal]

SALESLINK CORPORATION

By:

Title:

Exhibit 10.47

SECOND AMENDED AND RESTATED
REVOLVING CREDIT NOTE

$1,451,612.90 as of July 11, 1997

FOR VALUE RECEIVED, the undersigned SALESLINK CORPORATION a Massachusetts corporation (the "Borrower"), hereby promises to pay to the order of IMPERIAL BANK, a national banking association (the "Bank") at the Agent's Head Office (as such term is defined in the Credit Agreement referred to below):

(a) prior to or on the Revolving Credit Loan Maturity Date the principal amount of ONE MILLION FOUR HUNDRED FIFTY-ONE THOUSAND SIX HUNDRED TWELVE DOLLARS AND NINETY CENTS ($1,451,612.90) or, if less, the aggregate unpaid principal amount of Revolving Credit Loans advanced by the Bank to the Borrower pursuant to the Revolving Credit and Term Loan Agreement dated as of October 24, 1996 (as amended and in effect from time to time, the "Credit Agreement"), among the Borrower, the Bank and other parties thereto;

(b) the principal outstanding hereunder from time to time at the times provided in the Credit Agreement; and

(c) interest on the principal balance hereof from time to time outstanding from the Closing Date under the Credit Agreement through and including the maturity date hereof at the times and at the rate provided in the Credit Agreement.

This Note constitutes the second amendment and restatement in its entirety of the Amended and Restated Revolving Credit Note issued by the Borrower to the Bank in the original principal amount of $806,451.61, dated as of March 14, 1997 (the "Original Note") and is issued in substitution therefor and an amendment and replacement thereof. Nothing herein or in any other document shall be construed to constitute payment of the Original Note or to release or terminate any guaranty, lien, mortgage, pledge or other security interest in favor of the Bank.

This Note evidences borrowings under and has been issued by the Borrower in accordance with the terms of the Credit Agreement. The Bank and any holder hereof is entitled to the benefits of the Credit Agreement, the Guaranty and the other Loan Documents, and may enforce the agreements of the Borrower contained therein, and any holder hereof may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the respective terms thereof. All capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

The Borrower irrevocably authorizes the Bank to make or cause to be made, at or about the time of the Drawdown Date of any Revolving Credit Loan or at the time of receipt of any payment of principal of this Note, an appropriate notation on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, reflecting the making of such Revolving Credit Loan or (as the case may be) the receipt of such payment. The outstanding amount of the Revolving Credit Loans set forth on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, maintained by the Bank with respect to any Revolving Credit Loans shall be prima facie evidence of the principal amount thereof owing and unpaid to the Bank, but the failure to record, or any error in so recording, any such amount on any such grid, continuation or other record shall not limit or otherwise affect the obligation of the Borrower hereunder or under the Credit Agreement to make payments of principal of and interest on this Note when due.

The Borrower has the right in certain circumstances and the obligation under certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

No delay or omission on the part of the Bank or any holder hereof in exercising any right hereunder shall operate as a waiver of such right or of any other rights of the Bank or such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar or waiver of the same or any other right on any further occasion.

The Borrower and every endorser and guarantor of this Note or the obligation represented hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

THIS NOTE AND THE OBLIGATIONS OF THE BORROWER HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND THE CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH

COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER BY MAIL AT THE ADDRESS SPECIFIED BENEATH THE BORROWER'S SIGNATURE ON THE SIGNATURE PAGE OF THE CREDIT AGREEMENT. THE BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

This Note shall be deemed to take effect as a sealed instrument under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the undersigned has caused this Revolving Credit Note to be signed in its corporate name and its corporate seal to be impressed thereon by its duly authorized officer as of the day and year first above written.

[Corporate Seal]

SALESLINK CORPORATION

By:

Title:

Date	Amount of Loan	Amount of Principal Paid or Prepaid	Balance of Principal Unpaid	Notation Made By:

Exhibit 10.48

SECOND AMENDED AND RESTATED REVOLVING CREDIT NOTE

$3,048,387.10 as of July 11, 1997

FOR VALUE RECEIVED, the undersigned SALESLINK CORPORATION a Massachusetts corporation (the "Borrower"), hereby promises to pay to the order of BANKBOSTON, N.A. (f/k/a The First National Bank of Boston), a national banking association (the "Bank") at the Agent's Head Office (as such term is defined in the Credit Agreement referred to below):

(a) prior to or on the Revolving Credit Loan Maturity Date the principal amount of THREE MILLION FORTY-EIGHT THOUSAND THREE HUNDRED EIGHTY-SEVEN DOLLARS AND TEN CENTS ($3,048,387.10) or, if less, the aggregate unpaid principal amount of Revolving Credit Loans advanced by the Bank to the Borrower pursuant to the Revolving Credit and Term Loan Agreement dated as of October 24, 1996 (as amended and in effect from time to time, the "Credit Agreement"), among the Borrower, the Bank and other parties thereto;

(b) the principal outstanding hereunder from time to time at the times provided in the Credit Agreement; and

(c) interest on the principal balance hereof from time to time outstanding from the Closing Date under the Credit Agreement through and including the maturity date hereof at the times and at the rate provided in the Credit Agreement.

This Note constitutes the amendment and restatement in its entirety of the Amended and Restated Revolving Credit Note issued by the Borrower to the Bank in the original principal amount of $1,693,548.39, dated as of March 14, 1997 (the "Original Note") and is issued in substitution therefor and an amendment and replacement thereof. Nothing herein or in any other document shall be construed to constitute payment of the Original Note or to release or terminate any guaranty, lien, mortgage, pledge or other security interest in favor of the Bank.

This Note evidences borrowings under and has been issued by the Borrower in accordance with the terms of the Credit Agreement. The Bank and any holder hereof is entitled to the benefits of the Credit Agreement, the Guaranty and the other Loan Documents, and may enforce the agreements of the Borrower contained therein, and any holder hereof may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the respective terms thereof. All capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

The Borrower irrevocably authorizes the Bank to make or cause to be made, at or about the time of the Drawdown Date of any Revolving Credit Loan or at the time of receipt of any payment of principal of this Note, an appropriate notation on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, reflecting the making of such Revolving Credit Loan or (as the case may be) the receipt of such payment. The outstanding amount of the Revolving Credit Loans set forth on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, maintained by the Bank with respect to any Revolving Credit Loans shall be prima facie evidence of the principal amount

----- -----

thereof owing and unpaid to the Bank, but the failure to record, or any error in so recording, any such amount on any such grid, continuation or other record shall not limit or otherwise affect the obligation of the Borrower hereunder or under the Credit Agreement to make payments of principal of and interest on this Note when due.

The Borrower has the right in certain circumstances and the obligation under certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

No delay or omission on the part of the Bank or any holder hereof in exercising any right hereunder shall operate as a waiver of such right or of any other rights of the Bank or such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar or waiver of the same or any other right on any further occasion.

The Borrower and every endorser and guarantor of this Note or the obligation represented hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

THIS NOTE AND THE OBLIGATIONS OF THE BORROWER HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND THE CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH

COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER BY MAIL AT THE ADDRESS SPECIFIED BENEATH THE BORROWER'S SIGNATURE ON THE SIGNATURE PAGE OF THE CREDIT AGREEMENT. THE BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

This Note shall be deemed to take effect as a sealed instrument under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the undersigned has caused this Revolving Credit Note to be signed in its corporate name and its corporate seal to be impressed thereon by its duly authorized officer as of the day and year first above written.

[Corporate Seal]

SALESLINK CORPORATION

By:

Title:

Date	Amount of Loan	Amount of Principal Paid or Prepaid	Balance of Principal Unpaid	Notation Made By:

Exhibit 10.49

REVOLVING CREDIT AGREEMENT

This REVOLVING CREDIT AGREEMENT (this "Agreement") is made as of May 14, 1997, by and among CMG INFORMATION SERVICES, INC. (the "Borrower"), a Delaware corporation having its principal place of business at 100 Brickston Square, First Floor, Andover, Massachusetts 01810, BANKBOSTON, N.A. (f/k/a THE FIRST NATIONAL BANK OF BOSTON), a national banking association, and the other lending institutions listed on Schedule 1 hereto and BANKBOSTON, N.A. as agent for itself and such other lending institutions.

1. DEFINITIONS:

Certain capitalized terms are defined below:

Accounts: All rights of the Borrower or any of its Subsidiaries to any payment of money for services rendered, goods sold, leased or otherwise marketed in the ordinary course of business, whether evidenced by or under or in respect of a contract or instrument, and to all proceeds in respect thereof.

Affiliate: Any Person that would be considered to be an affiliate of the Borrower under Rule 144(a) of the Rules and Regulations of the Securities and Exchange Commission, as in effect on the date hereof, if the Borrower were issuing securities.

Agent: BankBoston, N.A. acting as agent for the Banks.

Agent's Head Office: The Agent's head office located at 100 Federal Street, Boston, Massachusetts 02110, or at such other location as the Agent may designate from time to time.

Agreement: See the preamble, which term shall include this Agreement and the Schedules and Exhibits hereto, all as amended and in effect from time to time.

Assignment and Acceptance: See (S)11.

Balance Sheet Date: July 31, 1996.

BankBoston: BankBoston, N.A., a national banking association, in its individual capacity.

Banks: BankBoston and the other lending institutions listed on Schedule 1 hereto and any other Person who becomes an assignee of any rights and obligations of a Bank pursuant to (S)11.

Base Rate: The higher of (a) the annual rate of interest announced from time to time by BankBoston at its head office as its "base rate" and (b) one-half of one percent (1/2%) above the Federal Funds Effective Rate.

Base Rate Loans: Revolving Credit Loans bearing interest calculated by reference to the Base Rate.

Blackxxun: Blackxxun Interactive Inc..

Borrower: See the preamble.

Borrowing Base: At the relevant time of reference thereto, an amount determined by the Agent by reference to the most recent Borrowing Base Report which is equal to fifty percent (50%) of (a) the Determined Value of the Borrower's Unrestricted Public Equity Security Investments less (b) the estimated federal or state taxes and transaction costs due to the United States or any state thereof upon or after the liquidation of such shares as a result of such liquidation.

Borrowing Base Report: A report, with supporting details satisfactory to the Agent and the Banks, setting forth the Borrower's computation of the Borrowing Base, such report to be in the form of the Exhibit A attached hereto.

Business Day: Any day on which banking institutions in Boston, Massachusetts, are open for the conduct of a substantial part of its commercial banking business generally and, in the case of LIBOR Rate Loans, also a day which is a LIBOR Business Day.

Capitalized Leases: Leases under which the Borrower or any of its Subsidiaries is the Lessee or obligor, the discounted, future rental payment obligations under which are required to be capitalized on the consolidated balance sheet of the Borrower and its Subsidiaries in accordance with GAAP.

Charter Documents: In respect of any entity, the certificate or articles of incorporation or organization and the by-laws of such entity, or other constitutive documents of such entity.

Closing Date: The first date on which the conditions set forth in (S)6 have been satisfied and any Revolving Credit Loans are to be made.

CMG@Ventures I: CMG@Ventures I, L.P., a Delaware limited partnership.

CMG@Ventures II: CMG@Ventures II, L.P., a Delaware limited partnership.

Commitment: With respect to each Bank, the amount set forth on Schedule 1 hereto as the amount of such Bank's commitment to make Revolving

Credit Loans to the Borrower, as the same may be reduced from time to time or terminated hereunder.

Commitment Percentage: With respect to each Bank, the percentage set forth on Schedule 1 hereto as such Bank's percentage of the aggregate Commitments of all the Banks.

Compliance Certificate: See (S)7.1(a)(iv) hereof.

Consent: In respect of any person or entity, any permit, license or exemption from, approval, consent of, registration or filing with any local, state or federal governmental or regulatory agency or authority, required under applicable law.

Consolidated Assets: All assets of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

Consolidated Liabilities: All liabilities of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP and all Indebtedness of the Borrower and its Subsidiaries, whether or not so classified.

Consolidated Tangible Net Worth: The excess of Consolidated Assets over Consolidated Liabilities, and less the sum of:

(a) the total book value of all assets of the Borrower and its Subsidiaries properly classified as intangible assets in accordance with GAAP, including such items as good will, the purchase price of acquired assets in excess of the fair market value thereof, trademarks, trade names, service marks, brand names, copyrights, patents and licenses, and rights with respect to the foregoing; plus

(b) all amounts representing any write-up in the book value of any assets of the Borrower or its Subsidiaries resulting from a revaluation thereof subsequent to the Balance Sheet Date, except for the write-up, if any, in unrealized gains recorded on securities available for sale; plus

(c) to the extent otherwise includable in the computation of Consolidated Tangible Net Worth, any subscriptions receivable.

Consolidated Total Debt Service: For any period, all scheduled mandatory payment of principal on Indebtedness and Capitalized Leases of the Borrower and its Subsidiaries made or required to be made in that period plus the Consolidated Total Interest Expense of the Borrower and its Subsidiaries for such period; provided, however, when calculating Consolidated Total Debt Service for purposes of compliance with (S)7.3(b) hereof, Consolidated Total Debt Service shall exclude for such period (i) all Indebtedness of SalesLink, Blackxxun and, to the extent not guaranteed by the Borrower, of CMG@Ventures I and CMG@Ventures II; (ii) any mandatory payments of principal of Revolving Credit

Loans and (iii) any mandatory payments of principal on Indebtedness of Long Lane Trust.

Consolidated Total Interest Expense. For any period, the aggregate amount of interest required to be paid or accrued by the Borrower and its Subsidiaries during such period on all Indebtedness of the Borrower and its Subsidiaries outstanding during all or any part of such period, whether such interest was or is required to be reflected as an item of expense or capitalized, including payments consisting of interest in respect of Capitalized Leases and including commitment fees, agency fees, facility fees, balance deficiency fees and similar fees or expenses in connection with the borrowing of money.

Conversion Request: A notice by the Borrower to the Agent of the Borrower's election to convert or continue a Revolving Credit Loan in accordance with (S)2.3 hereof.

Default: An event or act which with the giving of notice and/or the lapse of time, would become an Event of Default.

Determined Value: At the relevant time of reference thereto, that value which is determined by reference to the average of the last sales price of a share of the Unrestricted Public Equity Investment reported on the principal national securities exchange on which it is listed.

Domestic Lending Office: Initially, the office of each Bank designated as such in Schedule 1 hereto; thereafter, such other office of such Bank, if any, located within the United States that will be making or maintaining Base Rate Loans.

Drawdown Date: The date on which any Revolving Credit Loan is made or is to be made, and the date on which any Revolving Credit Loan is converted or continued in accordance with (S)2.3.

Eligible Assignee: Any of (a) a commercial bank or finance company organized under the laws of the United States, or any State thereof or the District of Columbia, and having total assets in excess of $1,000,000,000; (b) a savings and loan association or savings bank organized under the laws of the Untied States, or any State thereof or the District of Columbia, and having a net worth of at least $100,000,000, calculated in accordance with GAAP; (c) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the "OECD"), or a political subdivision of any such country, and having total assets in excess of $1,000,000,000, provided, that such bank is acting through a branch or agency located in the country in which it is organized or another country which is also a member of the OECD; (d) the central bank of any country which is a member of the OECD; and (e) if, but only if, any Event of Default has occurred and is continuing, any other bank, insurance company, commercial

finance company or other financial institution or other Person approved by the Agent, such approval not to be unreasonably withheld.

Environmental Laws: All laws pertaining to environmental matters, including without limitation, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, in each case as amended, and all rules, regulations, judgments, decrees, orders and licenses arising under all such laws.

ERISA: The Employee Retirement Income Security Act of 1974, as amended, and all rules, regulations, judgments, decrees, and orders arising thereunder.

Eurocurrency Reserve Rate: For any day with respect to a LIBOR Rate Loan, the maximum rate (expressed as a decimal) at which any lender subject thereto would be required to maintain reserves under Regulation D of the Board of Governors of the Federal Reserve System (or any successor or similar regulations relating to such reserve requirements) against "Eurocurrency Liabilities" (as that term is used in Regulation D), if such liabilities were outstanding. The Eurocurrency Reserve Rate shall be adjusted automatically on and as of the effective date of any change in the Eurocurrency Reserve Rate.

Event of Default: Any of the events listed in (S)8 hereof.

Federal Funds Effective Rate: For any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three funds brokers of recognized standing selected by the Agent.

Financials: In respect of any period, the consolidated balance sheet of any Person and its Subsidiaries as at the end of such period, and the related statement of income and consolidated statement of cash flow for such period, each setting forth in comparative form the figures for the previous comparable fiscal period, all in reasonable detail and prepared in accordance with GAAP.

GAAP: Generally accepted accounting principles consistent with those adopted by the Financial Accounting Standards Board and its predecessor, (a) generally, as in effect from time to time, and (b) for purposes of determining compliance by the Borrower with its financial covenants set forth herein, as in effect for the fiscal year therein reported in the most recent Financials submitted to the Agent prior to execution of this Agreement.

Indebtedness: In respect of any entity, all obligations, contingent and otherwise, that in accordance with GAAP should be classified upon the obligor's balance sheet as liabilities, or to which reference should be made by footnotes thereto (excluding operating leases, if any), including in any event and whether or not so classified, where the underlying obligation appears on the balance sheet of such entity: (a) all debt and similar monetary obligations, whether direct or indirect, (b) all liabilities secured by Liens, whether or not the liability secured thereby shall have been assumed, (c) all guarantees, endorsements and other contingent obligations whether direct or indirect in respect of indebtedness of others, including any obligation to supply funds to or in any manner to invest in, directly or indirectly, the debtor, to purchase indebtedness, or to assure the owner of indebtedness against loss, through an agreement to purchase goods, supplies or services for the purpose of enabling the debtor to make payment of the indebtedness held by such owner or otherwise and (d) all liabilities in respect of bankers' acceptances.

Interest Payment Date: (a) As to any Base Rate Loan, the last day of the calendar month which includes the Drawdown Date thereof; and (b) as to any LIBOR Rate Loan in respect of which the Interest Period is (i) ninety (90) days or less, the last day of such Interest Period and (ii) more than ninety (90) days, the date that is ninety (90) days from the first day of such Interest Period and, in addition, the last day of such Interest Period.

Interest Period: With respect to each Revolving Credit Loan (a) initially, the period commencing on the Drawdown Date of such Revolving Credit Loan and ending on the last day of one of the periods set forth below, as selected by the Borrower in a Loan Request (i) for any Base Rate Loans, the last day of the calendar month; and (ii) for any LIBOR Rate Loan, 1, 2, or 3 months; and (b) thereafter each period commencing on the last day of the immediately preceding Interest Period applicable to such Revolving Credit Loan and ending on the last day of one of the periods set forth above, as selected by the Borrower in a Conversion Request; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(a) if any Interest Period with respect to a LIBOR Rate Loan would otherwise end on a day that is not a LIBOR Business Day, that Interest Period shall be extended to the next succeeding LIBOR Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding LIBOR Business Day;

(b) if any Interest Period with respect to a Base Rate Loan would end on a day that is not a Business Day, that Interest Period shall end on the next succeeding Business Day;

(c) If the Borrower shall fail to give notice as provided in (S)2.3, the Borrower shall be deemed to have requested a conversion of the affected LIBOR Rate Loan to a Base Rate Loan and the continuance of all Base

Rate Loans as Base Rate Loans on the last day of the then current Interest Period with respect thereto;

(d) any Interest Period relating to any LIBOR Rate Loan that begins on the last LIBOR Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last LIBOR Business Day of a calendar month; and

(e) any Interest period relating to any LIBOR Rate Loan that would otherwise extend beyond the Revolving Credit Loan Maturity Date shall end on the Revolving Credit Loan Maturity Date.

Investment Policy: The Borrower's investment policy set forth on Schedule 2 hereto.

LIBOR Business Day: Any day on which commercial banks are open for international business (including dealings in U.S. dollar deposits) in London or such other eurodollar interbank market as may be selected by the Agent in its sole discretion acting in good faith.

LIBOR Lending Office: Initially, the office of each Bank designated as such in Schedule 1 hereto; thereafter, such other office of such Bank, if any, that shall be making or maintaining LIBOR Rate Loans.

LIBOR Rate: For any Interest Period with respect to a LIBOR Rate Loan, the rate of interest equal to (a) the rate determined by the Agent at which U.S. dollar deposits for such Interest Period are offered based on information presented on Telerate Page 3750 (or any successor publication or source selected by the Bank in its reasonable discretion) at 11:00 a.m. (London time) on the second LIBOR Business Day, prior to the first day of such Interest Period, divided by (b) a number equal to 1.00 minus the Eurocurrency Reserve Rate, if applicable.

LIBOR Rate Loans: Revolving Credit Loans bearing interest calculated by reference to the LIBOR Rate.

Liens: Any encumbrance, mortgage, pledge, hypothecation, charge, restriction or other security interest of any kind securing any obligation of any entity or person.

Loan Documents: This Agreement and the Revolving Credit Notes, in each case as from time to time amended or supplemented.

Loan Request: See (S)2.2.

Loans: The Revolving Credit Loan.

Long Lane Trust:

Majority Banks: As of any date, (a) if there are only two (2) Banks, Majority Banks shall mean all of the Banks, and (b) if there are three (3) or more Banks the Banks whose aggregate Commitments constitute at least sixty six and two thirds percent (66 2/3%) of the Total Commitment.

Materially Adverse Effect: Any materially adverse effect on the financial condition or business operations of the Borrower and its Subsidiaries taken together or material impairment of the ability of the Borrower or any of its Subsidiaries to perform its obligations hereunder or under any of the other Loan Documents.

Minimum Debt Service Reserve: The amount which the Borrower and its Subsidiaries have set aside for the making of payments of principal and interest payments on Indebtedness of the Borrower and its Subsidiaries as the same becomes due and payable.

Obligations: All indebtedness, obligations and liabilities of the Borrower and its Subsidiaries to any of the Banks and the Agent, existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, arising or incurred under this Agreement or any other Loan Document or in respect of any of the Revolving Credit Loans made or any of the Revolving Credit Notes or any documents, agreements or instruments executed in connection therewith, or other instruments at any time evidencing any thereof.

Person: Any individual, corporation, partnership, trust, unincorporated association, business or other legal entity, and any government or any governmental agency or political subdivision thereof.

Requirement of Law: In respect of any person or entity, any law, treaty, rule, regulation or determination of an arbitrator, court, or other governmental authority, in each case applicable to or binding upon such person or entity or affecting any of its property.

Revolving Credit Loan Maturity Date: May 14, 1998.

Revolving Credit Loans: Revolving credit loans made or to be made by the Banks to the Borrower pursuant to (S)2 hereof.

Revolving Credit Note: See (S)2.2(c) hereof.

SalesLink: SalesLink Corporation, a Massachusetts corporation and wholly-owned Subsidiary of the Borrower.

SalesLink Agreement: The Revolving Credit and Term Loan Agreement dated as of October 24, 1996 among SalesLink, the Borrower, Pacific Direct Marketing Corp., BankBoston, N.A. (f/k/a The First National Bank of Boston) and the other lending institutions party thereto (collectively, the "SalesLink

Banks") and BankBoston, N.A. as agent for the SalesLink Banks (the "SalesLink Agent"), as the same may be amended, modified, supplemented or restated from time to time.

Subsidiary: In respect of any Person, any business entity of which such Person at any time owns or controls directly or indirectly more than fifty percent (50%) of the outstanding shares of stock having voting power, regardless of whether such right to vote depends upon the occurrence of a contingency.

Total Commitment: The sum of the Commitments of the Banks, as in effect from time to time.

Unrestricted Public Equity Security Investment: The Borrower's and/or its Subsidiary's assets and Investments consisting of the common shares of Lycos, Inc. and which shares are (a) not subject to any Liens and (b) freely marketable (including, without limitation pursuant to a private placement or secondary offering).

2. REVOLVING CREDIT FACILITY.

2.1. Commitment to Lend. Upon the terms and subject to the conditions of this Agreement, each of the Banks severally agrees to lend to the Borrower such sums that the Borrower may request, from the Closing Date until but not including the Revolving Credit Loan Maturity Date, up to a maximum aggregate amount outstanding (after giving effect to all amounts requested) at any one time equal to such Bank's Commitment, provided that the sum of the outstanding amount of the Revolving Credit Loans (after giving effect to all amounts requested) shall not at any time exceed the lesser of (a) the Total Commitment and (b) the Borrowing Base. Revolving Credit Loans shall be in the minimum aggregate amount of $100,000 or an integral multiple thereof.

2.2. Requests for Loans.

(a) The Borrower shall give to the Agent written notice in form and substance satisfactory to the Agent (or telephonic notice confirmed in writing in form and substance satisfactory to the Agent) of each Revolving Credit Loan being requested hereunder (a "Loan Request") (i) no later than 10:00 a.m. (Boston time) on the proposed Drawdown Date of any Base Rate Loan and (ii) no less than three (3) LIBOR Business Days prior to the proposed Drawdown Date of any LIBOR Rate Loan. Each such notice shall specify (A) the principal amount of the Revolving Credit Loan being requested, (B) the proposed Drawdown Date of such Revolving Credit Loan, (C) in the event the Revolving Credit Loan being requested is a LIBOR Rate Loan, the Interest Period for such Revolving Credit Loan and (D) whether such Revolving Credit Loan shall be a Base Rate Loan or a LIBOR Rate Loan. Promptly upon receipt of any such notice, the Agent shall notify each of the Banks thereof. Each Loan Request shall be irrevocable and binding upon the Borrower and shall obligate the

Borrower to accept the Revolving Credit Loan requested from the Banks on the proposed Drawdown Date. Each Loan Request shall be in a minimum aggregate amount of $100,000 or an integral multiple thereof.

(b) Notwithstanding the notice requirements set forth in (S)2.2(a) and the minimum Revolving Credit Loan amount provisions contained in (S)2.1 and 2.2(a), Revolving Credit Loans may be made from time to time in the following manner: the Banks may make Revolving Credit Loans to the Borrower by entry of credits by the Agent to the Borrower's controlled disbursement account (the "Disbursement Account") with the Agent to cover checks and other charges which the Borrower has drawn or made against such Disbursement Account. The Borrower hereby requests and authorizes the Banks to make from time to time such Revolving Credit Loans by means of appropriate entries of such credits sufficient to cover checks and other charges then presented. The Borrower and the Banks may also agree to effect such other controlled disbursement arrangements as may be mutually satisfactory. The Borrower acknowledges and agrees that the making of such Revolving Credit Loans in accordance with this (S)2.2(b) shall, in each case, be subject in all respects to the provisions of this Agreement as if they were Revolving Credit Loans covered by a Loan Request, including without limitation, the limitations set forth in (S)2.1 and the requirement that the applicable provisions of (S)6 be satisfied. All actions taken by the Agent and the Banks pursuant to the provisions of this (S)2.2(b) shall be conclusive and binding upon the Borrower.

(c) The obligation of the Borrower to repay to the Banks the principal of the Revolving Credit Loans and interest accrued thereon shall be evidenced by separate promissory notes (each a "Revolving Credit Note") dated as of the Closing Date and completed with appropriate insertions. One Revolving Credit Note shall be payable to the order of each Bank in a principal amount equal to such Bank's Revolving Credit Loan Commitment or, if less, the outstanding amount of all Revolving Credit Loans made by such Bank, plus interest accrued thereon, as set forth in (S)2.4 below.

2.3. Conversion Options.

2.3.1. Conversion to Different Loan Type. The Borrower may elect from time to time to convert any outstanding Revolving Credit Loan from a Base Rate Loan to a LIBOR Rate Loan or from a LIBOR Rate Loan to a Base Rate Loan, provided that (a) with respect to any such conversion of a LIBOR Rate Loan to a Base Rate Loan, the Borrower shall give the Agent at least three (3) Business Day's prior written notice of such election; (b) with respect to any such conversion of a Base Rate Loan to a LIBOR Rate Loan, the Borrower shall give the Agent at least three (3) LIBOR Business Days prior written notice of such election; (c) with respect to any such conversion of a LIBOR Rate Loan into a Base Rate Loan, such conversion shall only be made on the last day of the Interest

Period with respect thereto; and (d) no Revolving Credit Loan may be converted into a LIBOR Rate Loan when any Default or Event of Default has occurred and is continuing. On the date on which such conversion is being made each Bank shall take such action as is necessary to transfer its Commitment Percentage of such Revolving Credit Loans to its Domestic Lending Office or its LIBOR Lending Office, as the case may be. All or any part of Revolving Credit Loans may be converted as provided herein, provided that any partial conversion shall be in an aggregate principal amount of $100,000 or a whole multiple thereof. Each Conversion Request relating to the conversion of a Base Rate Loan to a LIBOR Rate Loan shall be irrevocable by the Borrower.

2.3.2. Continuation of Loan Type. Any Base Rate Loan or LIBOR Rate Loan may be continued as such upon the expiration of an Interest Period with respect thereto by compliance by the Borrower with the notice provisions contained in (S)2.3.1; provided that no LIBOR Rate Loan may be continued as such when any Default or Event of Default has occurred and is continuing, but shall be automatically converted to a Base Rate Loan on the last day of the first Interest Period relating thereto ending during the continuance of any Default or Event of Default of which officers of the Agent active upon the Borrower's account have actual knowledge. In the event that the Borrower fails to provide any such notice with respect to the continuation of any LIBOR Rate Loan as such, then such LIBOR Rate Loan shall be automatically converted to a Base Rate Loan on the last day of the first Interest Period relating thereto.

2.3.3. LIBOR Rate Loans. Any conversion to or from LIBOR Rate Loans shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of all LIBOR Rate Loans having the same Interest Period shall not be less than $100,000 or a whole multiple thereof, and there shall not be more than three (3) outstanding Revolving Credit Loans which are LIBOR Rate Loans at any time.

2.4. Interest. So long as no Event of Default is continuing, and except as otherwise provided herein, (a) each Base Rate Loan shall bear interest for the period commencing with the Drawdown Date thereof and ending of the last day of the Interest Period with respect thereto at the rate of one half of one percent (1/2%) per annum above the Base Rate; (b) each LIBOR Rate Loan shall bear interest for the period commencing with the Drawdown Date thereof and ending on the last day of the Interest Period with respect thereto at the rate of two and one-half percent (2 1/2%) per annum above the LIBOR Rate determined for such Interest Period; and (c) the Borrower promises to pay interest on each Revolving Credit Loan in arrears on each Interest Payment Date with respect thereto. While an Event of Default is continuing, amounts payable under any of the Loan Documents shall bear interest (compounded monthly and payable on demand in respect of overdue amounts) at a rate per annum which is equal four percent (4%) above the rate of interest otherwise applicable to the Revolving Credit

Loans hereunder until such amount is paid in full or (as the case may be) such Event of Default has been cured or waived in writing by the Majority Banks (after as well as before judgment).

2.5. Repayments and Prepayments. The Borrower hereby agrees to pay to the Agent for the benefit of the Banks on the Revolving Credit Loan Maturity Date the entire unpaid principal of and interest on all Revolving Credit Loans. If at any time the aggregate amount of all outstanding Revolving Credit Loans exceeds the lesser of (a) the Total Commitment and (b) the Borrowing Base, then the Borrower shall immediately pay the amount of such excess to the Agent for the respective accounts of the Banks for application to the Revolving Credit Loans. Each prepayment of Revolving Credit Loans shall be allocated among the Banks, in proportion, as nearly as practicable, to the respective unpaid principal amount of each Bank's Revolving Credit Note, with adjustments to be extent practicable to equalize any prior payments or repayments not exactly in proportion. The Borrower may elect to prepay the outstanding principal of all or any part of any Revolving Credit Loan, without premium or penalty, in a minimum amount of $100,000 or an integral multiple thereof, upon written notice to the Agent given by 10:00 a.m. Boston time on the date of such prepayment, of the amount to be prepaid. Each partial prepayment shall be allocated among the Banks, in proportion, as nearly as practicable, to the respective unpaid principal amount of each Bank's Revolving Credit Note, with adjustments to the extent practicable to equalize any prior repayments not exactly in proportion. The Borrower shall be entitled to reborrow before the Revolving Credit Loan Maturity Date such amounts, upon the terms and subject to the conditions of this Agreement. Each repayment or prepayment of principal of any Revolving Credit Loan shall be accompanied by payment of the unpaid interest accrued to such date on the principal being repaid or prepaid. The Borrower may elect to reduce or terminate the Total Commitment by a minimum principal amount of $100,000 or an integral multiple thereof, upon written notice to the Agent given by 10:00 a.m. Boston time at least two (2) Business Days prior to the date of such reduction or termination. The Borrower shall not be entitled to reinstate the Commitments following such reduction or termination.

2.6. Funds for Revolving Credit Loan.

2.6.1. Funding Procedures. Not later than 11:00 a.m. (Boston time) on the proposed Drawdown Date of any Revolving Credit Loans, each of the Banks will make available to the Agent, at the Agent's Head Office, in immediately available funds, the amount of such Bank's Commitment Percentage of the amount of the requested Revolving Credit Loans. Upon receipt from each Bank of such amount, and upon receipt of the documents required by (S)6 and the satisfaction of the other conditions set forth therein, to the extent applicable, the Agent will make available to the Borrower the aggregate amount of such Revolving Credit Loans made available to the Agent by the Banks. The failure or refusal of any Bank to make available to the Agent at the aforesaid time and place on

any Drawdown Date the amount of its Commitment Percentage of the requested Revolving Credit Loans shall not relieve any other Bank from its several obligation hereunder to make available to the Agent the amount of such other Bank's Commitment Percentage of any requested Revolving Credit Loans.

2.6.2. Advances by Agent. The Agent may, unless notified to the contrary by any Bank prior to a Drawdown Date, assume that such Bank has made available to the Agent on such Drawdown Date the amount of such Bank's Commitment Percentage of the Revolving Credit Loans to be made on such Drawdown Date, and the Agent may (but it shall not be required to), in reliance upon such assumption, make available to the Borrower a corresponding amount. If any Bank makes available to the Agent such amount on a date after such Drawdown Date, such Bank shall pay to the Agent on demand an amount equal to the product of (a) the average computed for the period referred to in clause (c) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period, times (b) the amount of such Bank's Commitment Percentage of such Revolving Credit Loans, times (c) a fraction, the numerator of which is the number of days that elapse from and including such Drawdown Date to the date on which the amount of such Bank's Commitment Percentage of such Revolving Credit Loans shall become immediately available to the Agent, and the denominator of which is 365. A statement of the Agent submitted to such Bank with respect to any amounts owing under this paragraph shall be prima facie evidence of the amount due and owing to the Agent by such Bank. If the amount of such Bank's Commitment Percentage of such Revolving Credit Loans is not made available to the Agent by such Bank within three (3) Business Days following such Drawdown Date, the Agent shall be entitled to recover such amount from the Borrower on demand, with interest thereon at the rate per annum applicable to the Revolving Credit Loans made on such Drawdown Date.

3. CHANGES IN CIRCUMSTANCES, ETC.

3.1. Inability to Determine LIBOR Rate. In the event, prior to the commencement of any Interest Period relating to any LIBOR Rate Loan, the Agent shall determine or be notified by the Majority Banks that adequate and reasonable methods do not exist for ascertaining the LIBOR Rate that would otherwise determine the rate of interest to be applicable to any LIBOR Rate Loan during any Interest Period, the Agent shall forthwith give notice of such determination (which shall be conclusive and binding on the Borrower and the Banks) to the Borrower and the Banks. In such event (a) any Loan Request or Conversion Request with respect to LIBOR Rate Loans shall be automatically withdrawn and shall be deemed a request for a Base Rate Loan, (b) each LIBOR Rate Loan will automatically, on the last day of the then current Interest Period relating thereto, become a Base Rate Loan, and (c) the obligations of the Banks to make LIBOR Rate Loans shall be suspended until the Agent or the Majority

Banks determines that the circumstances giving rise to such suspension no longer exist, whereupon the Agent or, as the case may be, the Agent upon the instruction of the Majority Banks shall so notify the Borrower and the Banks.

3.2. Illegality. Notwithstanding any other provisions herein, if any
---

present or future law, regulation, treaty or directive or in the interpretation or application thereof shall make it unlawful for any Bank to make or maintain LIBOR Rate Loans, such Bank shall forthwith give notice of such circumstances to the Borrower and the other Banks and thereupon (a) the commitment of such Bank to make LIBOR Rate Loans or convert Base Rate Loans to LIBOR Rate Loans shall forthwith be suspended and (b) such Bank's Revolving Credit Loans then outstanding as LIBOR Rate Loans, if any, shall be converted automatically to Base Rate Loans on the last day of each Interest Period applicable to such LIBOR Rate Loans or within such earlier period as may be required by law. The Borrower hereby agrees promptly to pay the Agent for the account of such Bank, upon demand by such Bank, any additional amounts necessary to compensate such Bank for any costs incurred by such Bank in making any conversion in accordance with this (S)3.2, including the discounted present value of any interest or fees payable by such Bank to lenders of funds obtained by it in order to make or maintain its LIBOR Loans hereunder.

3.3. Changes in Circumstances. If, on or after the date hereof any Bank or
------- -- -------------

the Agent determines that (a) the adoption of, or any change in, any applicable law, rule, regulation or guideline or the interpretation or administration thereof (whether or not having the force of law), or (b) compliance by such Bank or the Agent or its parent holding company with any guideline, request or directive (whether or not having the force of law), (i) has the effect of reducing the return on the Bank's, the Agent's or such holding company's capital as a consequence of the Commitment or the Revolving Credit Loans to a level below that which such Bank, the Agent or such holding company could have achieved but for such adoption, change or compliance by any amount deemed by such Bank or the Agent to be material, or (ii) shall subject such Bank to any tax, duty or other charge with respect to any LIBOR Rate Loan or any Revolving Credit Note, or shall change the basis of taxation of payments to such Bank of the principal of or interest on, LIBOR Rate Loans or in respect of any other amount due under this Agreement in respect of LIBOR Rate Loans (other than with respect to taxes based upon such Bank's net income); or (iii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any LIBOR Rate Loan any such requirement included in the applicable Eurocurrency Reserve Rate) against assets of, deposits with or for the account of, or credit extended by, any Bank or the Agent, or shall impose on any Bank, the Agent or the London interbank market any other condition affecting LIBOR Rate Loans or the Revolving Credit Notes, and the result of any of the foregoing is to increase the cost to any Bank of making or maintaining any LIBOR Rate Loan, or to reduce the amount of any sum received or receivable by such Bank under this Agreement or under any Revolving Credit Note with respect to any Revolving

Credit Loan, by an amount reasonably deemed by such Bank or the Agent to be material, then such Bank or the Agent may notify the Borrower thereof. The Borrower agrees to pay to the Agent for the account of such Bank or the Agent, as the case may be, (A) the amount of the Borrower's allocable share of the amount of such reduction in the return on capital as and when such reduction is determined, upon presentation by such Bank of a statement in the amount and setting forth such Bank's calculation thereof, which statement shall be deemed true and correct absent manifest error and (B) such additional amount or amounts as will compensate such Bank for such other increased costs or reduction. Each Bank agrees to allocate shares of such reduction among the Borrower and such Bank's other customers similarly situated on a fair and non-discriminatory basis.

3.4. Certificate. A certificate setting forth any additional amounts payable pursuant to (S)3.3 and a brief explanation of such amounts which are due, submitted by any Bank or the Agent to the Borrower, shall be conclusive, absent manifest error, that such amounts are due and owing.

3.5. Indemnity. The Borrower agrees to indemnify each Bank and to hold each Bank harmless from and against any loss, cost or expense that such Bank may sustain or incur as a consequence of (a) default by the Borrower in payment of the principal amount of or any interest on any LIBOR Rate Loans as and when due and payable, including any such loss or expense arising from interest or fees payable by such Bank to lenders of funds obtained by it in order to maintain its LIBOR Rate Loans, (b) default by the Borrower in making a borrowing or conversion after the Borrower has given (or is deemed to have given) a Loan Request or a Conversion Request relating thereto in accordance with (S)2.2 or (S)2.3 or (c) the making of any payment of a LIBOR Rate Loan or the making of any conversion of any such Revolving Credit Loan to a Base Rate Loan on a day that is not the last day of the applicable Interest Period with respect thereto, including interest or fees payable by any Bank to lenders of funds obtained by it in order to maintain any such LIBOR Rate Loans.

4. FEES AND PAYMENTS.

Contemporaneously with execution and delivery of this Agreement, the Borrower shall pay to the Agent for its own account a closing fee in the amount of $50,000. The Borrower shall pay to the Agent for the Agent's own account an agent's fee at the times and in the amounts determined by the Agent and the Borrower. The Borrower shall pay to the Agent for the pro rata accounts of the Banks, on the first day of each calendar quarter hereafter, and upon the Revolving Credit Loan Maturity Date or the date upon which the Total Commitment is no longer in effect, a commitment fee calculated at a rate per annum which is equal to one half of one percent (1/2%) of the average daily difference by which the Total Commitment amount exceeds the aggregate sum of the outstanding Revolving Credit Loans during the preceding calendar quarter or portion thereof. All payments to be made by the Borrower hereunder or under any of the other Loan Documents shall be made in U.S. dollars in immediately

available funds at the Agent's Head Office, without set-off or counterclaim and without any withholding or deduction whatsoever. Each Bank and the Agent shall be entitled to charge any account of the Borrower with such Bank for any sum due and payable by the Borrower to such Bank hereunder or under any of the other Loan Documents. If any payment hereunder is required to be made on a day which is not a Business Day, it shall be paid on the immediately succeeding Business Day, with interest and any applicable fees adjusted accordingly. All computations of interest or of the commitment fee payable hereunder shall be made by the Bank on the basis of actual days elapsed and on a 360-day year.

5. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to the Banks and the Agent on the date hereof, on the date of any Loan Request, on each Drawdown Date that:

(a) each of the Borrower and its Subsidiaries is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation and is duly qualified and in good standing in every other jurisdiction where it is doing business, and the execution, delivery and performance by each of the Borrower and its Subsidiaries of the Loan Documents to which it is a party (i) are within its corporate authority, (ii) have been duly authorized, (iii) do not conflict with or contravene its Charter Documents;

(b) upon execution and delivery thereof, each Loan Document shall constitute the legal, valid and binding obligation of the Borrower and its Subsidiaries party thereto, enforceable in accordance with its terms;

(c) each of the Borrower and its Subsidiaries has good and marketable title to all its material properties, subject only to Liens permitted hereunder, and possesses all assets, including intellectual properties, franchises and Consents, adequate for the conduct of its business as now conducted, without known conflict with any rights of others. Each of the Borrower and its Subsidiaries maintains insurance with financially responsible insurers, copies of the policies for which have been previously delivered to the Agent, covering such risks and in such amounts and with such deductibles as are customary in the each of the Borrower's or such Subsidiary's business and are adequate;

(d) the Borrower has provided to the Agent its audited Financials as at July 31, 1996, and for the fiscal period then ended, and such Financials are complete and correct and fairly present the position of the Borrower and its Subsidiaries on a consolidated basis as at such date and for such period in accordance with GAAP consistently applied;

(e) since July 31, 1996, there has been no materially adverse change of any kind in the Borrower or any of its Subsidiaries which would have a Materially Adverse Effect;

(f) there are no legal or other proceedings or investigations pending or threatened against the Borrower or any of its Subsidiaries before any court, tribunal or regulatory authority which would, if adversely determined, alone or together, have a Materially Adverse Effect;

(g) the execution, delivery, performance of its obligations, and exercise of its rights under the Loan Documents by each of the Borrower and its Subsidiaries, including borrowing under this Agreement (i) do not require any Consents; and (ii) are not and will not be in conflict with or prohibited or prevented by (A) any Requirement of Law, or (B) any Charter Document, corporate minute or resolution, instrument, agreement or provision thereof, in each case binding on it or affecting its property;

(h) neither the Borrower nor any of its Subsidiaries is in violation of (i) any Charter Document, corporate minute or resolution, (ii) any instrument or agreement, in each case binding on it or affecting its property, or (iii) any Requirement of Law, in a manner which could have a Materially Adverse Effect, including, without limitation, all applicable federal and state tax laws, ERISA and Environmental Laws;

(i) as of the Closing Date, the Borrower has no Subsidiaries other than those Subsidiaries set forth on Schedule 5(i)(1) hereto and neither
-------- -------
the Borrower nor any Subsidiary is a party to any partnership or joint venture except as set forth on Schedule 5(i)(2) hereto;
-------- -------

(j) no representation or warranty made by the Borrower or any of its Subsidiaries in this Agreement or any Loan Document or in any agreement, instrument, document, certificate, statement or letter furnished to the Agent or any Bank by or on behalf of the Borrower or any such Subsidiary in connection with any of the transactions contemplated by any of the Loan Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made; and

(k) the proceeds of the Revolving Credit Loans shall be used for permitted acquisitions under (S)7.2(e) and for working capital and general corporate purposes of the Borrower and its Subsidiaries. No portion of any Revolving Credit Loan is to be used for the purpose of purchasing or carrying any "margin security" or "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224.

6. CONDITIONS PRECEDENT.

In addition to the making of the foregoing representations and warranties and the delivery of the Loan Documents and such other documents and the taking of such actions as the Agent and each Bank may require at or prior to the time of executing this Agreement, the obligation of any Bank to make any Revolving Credit Loan to the Borrower hereunder, is subject to the satisfaction of the following further conditions precedent:

(a) each of the representations and warranties of each of the Borrower and its Subsidiaries to the Agent and the Banks herein, in any of the other Loan Documents to which such Person is a party or any documents, certificate or other paper or notice in connection herewith shall be true and correct in all material respects as of the time made or claimed to have been made;

(b) no Default or Event of Default shall be continuing;

(c) all proceedings in connection with the transactions contemplated hereby shall be in form and substance satisfactory to the Agent and the Banks, and the Agent and the Banks shall have received all information and documents as it may have reasonably requested;

(d) no change shall have occurred in any law or regulation or in the interpretation thereof that in the reasonable opinion of the Agent or any Bank would make it unlawful for such Bank to make such Revolving Credit Loan;

(e) the Borrower shall have delivered to the Agent and the Banks (i) certified copies of its Charter Documents; (ii) evidence that all corporate action necessary for the valid execution, delivery and performance by the Borrower of the Loan Documents to which it is a party has been duly and effectively taken; (iii) an incumbency certificate signed by a duly authorized officer of the Borrower, and giving the name and bearing a specimen signature of each individual who shall be authorized to sign, in the name and on behalf of the Borrower, each of the Loan Documents to which each is a party and to give notices and to take action on the Borrower's behalf under the Loan Documents; (iv) a solvency certificate of the Borrower in form and substance satisfactory to the Agent; and (v) a favorable legal opinion addressed to the Agent and the Banks in form and substance satisfactory to the Agent and the Banks from counsel to the Borrower;

(f) the Borrower shall have paid to the Agent the closing fee and the agent's fee as set forth in (S)4 hereof;

(g) the Agent and the Banks shall have received an opinion of counsel to the Borrower satisfactory to the Agent and the Banks; and

(h) the Agent and the Banks shall have received from the Borrower the initial Borrowing Base Report dated as of the Closing Date.

7. COVENANTS.

7.1. Affirmative Covenants. The Borrower agrees that until the termination of the Commitment and the payment and satisfaction in full of all the Obligations, the Borrower will, and will cause each of its Subsidiaries to comply with, its obligations as set forth throughout this Agreement and to:

(a) furnish the Agent and the Banks: (i) as soon as available but in any event within ninety (90) days after the close of each fiscal year, the Borrower's audited consolidated and consolidating Financials for such fiscal year, certified by the Borrower's accountants, and the Borrower's consolidating Financials for such fiscal period; (ii) as soon as available but in any event within forty-five (45) days after the end of each fiscal quarter of the Borrower, the Borrower's unaudited consolidated and consolidating Financials for such quarter, certified by its chief financial officer; (iii) as soon as available but in any event within thirty (30) days after the end of each month in each fiscal year of the Borrower, unaudited monthly consolidated Financials for such month, certified by its chief financial officer; (iv) together with the quarterly and annual audited Financials, a certificate of the Borrower (the "Compliance Certificate") setting forth computations demonstrating compliance with the Borrower's financial covenants set forth herein, and certifying that no Default or Event of Default has occurred, or if it has, the actions taken by the Borrower with respect thereto; (v) within thirty (30) days after the end of each calendar month or at such earlier time as the Agent may request, a certificate of the Borrower setting forth computations demonstrating compliance with (S)7.3(b) hereof for the next twenty-four calendar months, calculated on a pro forma basis, with the calculation of Consolidated Total Interest Expense being calculated such that the amount of interest required to be paid or accrued by (1) the Borrower to the Banks on the Revolving Credit Loans shall be calculated as if the outstanding amount of the Revolving Credit Loans on such date equaled the Total Commitment on such date and that such Revolving Credit Loans were Base Rate Loans; and (2) notwithstanding anything to the contrary contained in any agreement, document or instrument otherwise evidencing any Indebtedness of Long Lane Trust, such Indebtedness shall bear interest at the rate of 8.6% per annum for the period from the Closing Date through January 1, 1998 and one-half of one percent per annum above the Base Rate thereafter; (vi) within fifteen (15) days after the end of each calendar month or at such earlier time as the Agent may request, a Borrowing Base Report setting forth the Borrowing Base as at the end of such calendar month; provided, however, in the event the Determined Value of the Unrestricted Public Equity Investment is at any time less than $9.375 per share, the Borrower shall deliver to the Agent a Borrowing Base Report as frequently as the Agent shall require; (vii) contemporaneously with the

delivery thereof, copies of all accountants' management letters delivered to the Borrower or any of its Subsidiaries; and (viii) from time to time such other financial data and information as the Agent or any Bank may request;

(b) keep true and accurate books of account in accordance with GAAP, maintain its current fiscal year and permit the Agent or any Bank or its designated representatives to inspect the Borrower's premises during normal business hours, to examine and be advised as to such or other business records upon the request of the Agent or any Bank, and to permit the Agent's or any Bank's commercial finance examiners to conduct periodic commercial finance examinations which prior to an Event of Default shall be no more often than two (2) per year;

(c) (i) maintain its corporate existence, business and assets, (ii) keep its business and assets adequately insured, (iii) maintain its chief executive office in the United States, (iv) continue to engage in substantially similar lines of business, and (v) comply with all Requirements of Law, including ERISA and Environmental Laws;

(d) notify the Agent and the Banks promptly in writing of (i) the occurrence of any Default or Event of Default, (ii) any noncompliance with ERISA or any Environmental Law or proceeding in respect thereof which could have a Materially Adverse Effect, (iii) any change of address, (iv) any threatened or pending litigation or similar proceeding affecting the Borrower or its Subsidiaries or any material change in any such litigation or proceeding previously reported and (v) claims against any assets or properties of the Borrower or any such Subsidiaries encumbered in favor of the Agent or any Bank;

(e) use the proceeds of the Revolving Credit Loans solely to finance permitted acquisitions under (S)7.2(e) and for working capital purposes of the Borrower and its Subsidiaries, and not for the carrying of "margin security" or "margin stock" within the meaning of Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224;

(f) cooperate with the Agent and the Banks, take such action, execute such documents, and provide such information as the Agent and the Banks may from time to time reasonably request in order further to effect the transactions contemplated by and the purposes of the Loan Documents; and

(g) provide the Agent with simultaneous written notice of (i) the formation or acquisition of any Subsidiary formed or acquired after the Closing Date and (ii) the sale, disposition or dissolution of any Subsidiary of the Borrower.

7.2. Negative Covenants. The Borrower agrees that so long as there are any Revolving Credit Loans outstanding and until the termination of the Commitment and the payment and satisfaction in full of all the Obligations, the Borrower will not and will not permit its Subsidiaries to:

(a) create, incur or assume any Indebtedness other than (i) Indebtedness to the Agent and the Banks, (ii) current liabilities of the Borrower or any of its Subsidiaries not incurred through the borrowing of money or the obtaining of credit except credit on an open market customarily extended, (iii) Indebtedness in respect of taxes or other governmental charges contested in good faith and by appropriate proceedings and for which adequate reserves have been taken; (iv) unsecured Indebtedness of the Borrower and its Subsidiaries not otherwise provided for in this (S)7.2(a) which, when taken together with all Indebtedness of the Borrower and its Subsidiaries set forth on Schedule 7.2(a) does not exceed, in the aggregate, $5,000,000; (v) Indebtedness not included above and listed on Schedule 7.2(a) hereto and (vi) Indebtedness of the Borrower and SalesLink under the SalesLink Agreement;

(b) create or incur any Liens on any of the property or assets of the Borrower or any of its Subsidiaries except (i) Liens securing the Obligations; (ii) Liens securing taxes or other governmental charges not yet due; (iii) deposits or pledges made in connection with social security obligations; (iv) Liens of carriers, warehousemen, mechanics and materialmen, less than 120 days old as to obligations not yet due; (v) easements, rights-of-way, zoning restrictions and similar minor Liens which individually and in the aggregate do not have a Materially Adverse Effect; (vi) purchase money security interests in or purchase money mortgages on real or personal property securing purchase money Indebtedness permitted by (S)7.2(a)(ii), covering only the property so acquired; (vii) other Liens existing on the date hereof and listed on Schedule 7.2(b) hereto; and (viii) Liens to secure the Indebtedness permitted by (S)7.2(a)(vi);

(c) with respect to the Borrower and its Subsidiaries, make any investments other than investments in (i) marketable obligations of the United States maturing within one (1) year, (ii) certificates of deposit, bankers' acceptances and time and demand deposits of United States banks having total assets in excess of $1,000,000,000, (iii) Investments existing on the date hereof and listed on Schedule 7.2(c) hereto; (iv) Investments made by the Borrower in compliance with its Investment Policy; or (v) such other investments as the Agent and the Majority Banks may from time to time approve in writing;

(d) with respect to the Borrower and its Subsidiaries, make any distributions on or in respect of its capital of any nature whatsoever, other than dividends payable solely in shares of common stock or distributions by Subsidiaries of the Borrower to the Borrower; provided,

however, the Borrower shall be permitted to make distributions not
otherwise permitted hereunder so long as no Default or Event of Default has occurred and is continuing and would not exist as a result thereof;

(e) become party to a merger or sale-leaseback transaction, or to effect any disposition of assets other than in the ordinary course, and other than the sale of shares of a wholly-owned Subsidiary of the Borrower so long as the net cash proceeds of such sale received by the Borrower are equal to or greater than the carrying costs of the remaining shares of such Subsidiary after giving effect to such sale, or to purchase, lease or otherwise acquire assets other than in the ordinary course; provided, however, the Borrower shall be permitted to acquire the assets and/or stock of another entity so long as (i) such entity is in the same or a similar line of business as the Borrower; (ii) the Borrower has provided the Bank with five (5) Business Days prior written notice of such acquisition, which notice shall include a reasonably detailed description of the acquisition; (iii) the business and/or entity to be acquired would not subject the Agent or any Bank to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or the other Loan Documents; (iv) the Borrower has demonstrated to the satisfaction of the Agent and the Banks, based on a pro forma Compliance Certificate, compliance with (S)7.3 on a pro forma basis immediately prior to and after giving effect to any such acquisition; (v) the business and assets so acquired in each such acquisition shall be acquired by the Borrower free and clear of all liens and Indebtedness; and (vi) the aggregate purchase price of all acquisitions permitted hereunder does not exceed $11,000,000 during the term of this Agreement;

(f) make any change in or amendment to the Borrower's or any Subsidiary's Charter Documents unless such change or amendment that would not have any adverse effect on the Agent's or any Bank's interest under the Loan Documents or the Borrower's or such Subsidiary's obligations under the Loan Documents;

(g) the Borrower will not make any material change in its Investment Policy;

(h) enter into any agreement, contract or arrangement (other than the Credit Agreement and the other Loan Documents) restricting the ability of any of the Borrower's Subsidiaries to pay or make dividends or distributions in cash or kind, to make loans, advances or other payments of whatsoever nature or to make transfers or distributions of all or any part of its assets to the Borrower; and

(i) enter into any agreement (excluding this Agreement and the Loan Documents) prohibiting the creation or assumption of any Lien upon any of its properties, revenues or assets of the Borrower or its Subsidiaries, whether now owned or hereafter acquired, (including,

without limitation, the Borrower's interest in CMG@Ventures I and CMG@Ventures II) other than agreements with Persons prohibiting any such lien on such assets in which such Person has a prior security interest which is a Permitted Lien.

7.3. Financial Covenants. The Borrower agrees that so long as there are any Revolving Credit Loans outstanding and until the termination of the Commitment and the payment and satisfaction in full of all the Obligations, the Borrower will not:

(a) make capital expenditures which in the aggregate and on a consolidated basis exceed $3,700,000 in any fiscal year; provided, however, that, if during any fiscal year the amount of capital expenditures permitted for that fiscal year is not so utilized, such unutilized amount may be utilized in the next succeeding fiscal year but not in any subsequent fiscal year;

(b) permit the Minimum Debt Service Reserve at any time to be less than the greater of (i) $5,000,000 or (ii) 24 months of Consolidated Total Debt Service from the date of determination.

(c) permit Consolidated Tangible Net Worth at any time to be less than $14,000,000 in the aggregate for such period.

8. EVENTS OF DEFAULT; ACCELERATION.

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay when due and payable any principal of the Revolving Credit Loans when the same becomes due;

(b) the Borrower shall fail to pay interest on the Revolving Credit Loans, or any other sum due under any of the Loan Documents within two (2) Business Days after the date on which the same shall have first become due and payable;

(c) the Borrower or any Subsidiary shall fail to perform any term, covenant or agreement contained in (S)(S)7.1(a), 7.1(d) through (h), 7.2 and 7.3;

(d) the Borrower or any Subsidiary shall fail to perform any other term, covenant or agreement contained in the Loan Documents within fifteen (15) days after the Agent has given written notice of such failure to the Borrower;

(e) any representation or warranty of the Borrower or any of its Subsidiaries in the Loan Documents or in any certificate or notice given in connection therewith shall have been false or misleading in any material respect at the time made or deemed to have been made;

(f) the Borrower or any of its Subsidiaries shall be in default (after any applicable period of grace or cure period) under any agreement or agreements evidencing Indebtedness owing to the Bank or any affiliates of the Bank, or in excess of $500,000 in aggregate principal amount, or shall fail to pay such Indebtedness when due, or within any applicable period of grace;

(g) any of the Loan Documents shall cease to be in full force and effect,

(h) the Borrower or any of its Subsidiaries (i) shall make an assignment for the benefit of creditors, (ii) shall be adjudicated bankrupt or insolvent, (iii) shall seek the appointment of, or be the subject of an order appointing, a trustee, liquidator or receiver as to all or part of its assets, (iv) shall commence, approve or consent to, any case or proceeding under any bankruptcy, reorganization or similar law and, in the case of an involuntary case or proceeding, such case or proceeding is not dismissed within forty-five (45) days following the commencement thereof, or (v) shall be the subject of an order for relief in an involuntary case under federal bankruptcy law;

(i) the Borrower or any of its Subsidiaries shall be unable to pay its debts as they mature;

(j) there shall remain undischarged for more than thirty (30) days any final judgment or execution action against the Borrower or any of its Subsidiaries that, together with other outstanding claims and execution actions against the Borrower and its Subsidiaries exceeds $500,000 in the aggregate; or

(k) an Event of Default (as such term is defined in the SalesLink Agreement) has occurred and is continuing under the SalesLink Agreement

then, and in any such event, so long as the same may be continuing, the Agent may, and upon the request of the Majority Banks shall, by notice in writing to the Borrower declare all amounts owing with respect to this Credit Agreement, the Revolving Credit Notes and the other Loan Documents to be, and they shall thereupon forthwith become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; provided that in the event of any Event of Default
----
specified in (S)(S)8(h) or 8(i), all such amounts shall become immediately due and payable automatically and without any requirement of notice from the Agent or any Bank.

If any one or more of the Events of Default specified in (S)8(h) or (S)8(i) shall occur, any unused portion of the credit hereunder shall forthwith terminate and each of the Banks shall be relieved of all further obligations to make Revolving Credit Loans to the Borrower. If any other Event of Default shall have occurred

and be continuing, the Agent may and, upon the request of the Majority Banks, shall, by notice to the Borrower, terminate the unused portion of the credit hereunder, and upon such notice being given such unused portion of the credit hereunder shall terminate immediately and each of the Banks shall be relieved of all further obligations to make Revolving Credit Loans. No termination of the credit hereunder shall relieve the Borrower or any of its Subsidiaries of any of the Obligations.

In case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Revolving Credit Loans pursuant to (S)8, each Bank, if owed any amount with respect to the Revolving Credit Loans, may, with the consent of the Majority Banks but not otherwise, proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations to such Bank are evidenced, including as permitted by applicable law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of such Bank. No remedy herein conferred upon any Bank or the Agent or the holder of any Revolving Credit Note is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

9. SETOFF.

Regardless of the adequacy of any collateral for the Obligations, any deposits or other sums credited by or due from any of the Banks to the Borrower may be applied to or set off following an Event of Default against any principal, interest and any other amounts due from the Borrower to the Banks at any time without notice to the Borrower, or compliance with any other procedure imposed by statute or otherwise, all of which are hereby expressly waived by the Borrower. Each of the Banks agrees with each other Bank that (a) if an amount to be set off is to be applied to Indebtedness of the Borrower to such Bank, other than Indebtedness evidenced by the Revolving Credit Notes held by such Bank, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness evidenced by all such Revolving Credit Notes held by such Bank, and (b) if such Bank shall receive from the Borrower, whether by voluntary payment, exercise of the right of setoff, counterclaim, cross action, enforcement of the claim evidenced by the Revolving Credit Notes held by such Bank by proceedings against the Borrower at law or in equity or by proof thereof in bankruptcy, reorganization, liquidation, receivership or similar proceedings, or otherwise, and shall retain and apply to the payment of the Revolving Credit Note or Revolving Credit Notes held by such Bank any amount in excess of its ratable portion of the payments received by all of the Banks with respect to the Revolving Credit Notes held by all of the Banks, such Bank will make such

disposition and arrangements with the other Banks with respect to such excess, either by way of distribution, pro tanto assignment of claims, subrogation or otherwise as shall result in each Bank receiving in respect of the Revolving Credit Notes held by it, its proportionate payment as contemplated by this Agreement; provided that if all or any part of such excess payment is thereafter recovered from such Bank, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

10. THE AGENT.

10.1. Authorization.

(a) The Agent is authorized to take such action on behalf of each of the Banks and to exercise all such powers as are hereunder and under any of the other Loan Documents and any related documents delegated to the Agent, together with such powers as are reasonably incident thereto, provided that no duties or responsibilities not expressly assumed herein or therein shall be implied to have been assumed by the Agent.

(b) The relationship between the Agent and each of the Banks is that of an independent contractor. The use of the term "Agent" is for convenience only and is used to describe, as a form of convention, the independent contractual relationship between the Agent and each of the Banks. Nothing contained in this Agreement nor the other Loan Documents shall be construed to create an agency, trust or other fiduciary relationship between the Agent and any of the Banks.

(c) As an independent contractor empowered by the Banks to exercise certain rights and perform certain duties and responsibilities hereunder and under the other Loan Documents, the Agent is nevertheless a "representative" of the Banks, as that term is defined in Article 1 of the Uniform Commercial Code, for purposes of actions for the benefit of the Banks and the Agent with respect to all collateral security and guaranties contemplated by the Loan Documents. Such actions include the designation of the Agent as "secured party", "mortgagee" or the like on all financing statements and other documents and instruments, whether recorded or otherwise, relating to the attachment, perfection, priority or enforcement of any security interests, mortgages or deeds of trust in collateral security intended to secure the payment or performance of any of the Obligations, all for the benefit of the Banks and the Agent.

10.2. Employees and Agents.

The Agent may exercise its powers and execute its duties by or through employees or agents and shall be entitled to take, and to rely on, advice of counsel concerning all matters pertaining to its rights and duties under this Agreement and the other Loan Documents. The Agent may utilize the services of such Persons as the Agent in its sole discretion

may reasonably determine, and all reasonable fees and expenses of any such Persons shall be paid by the Borrower.

10.3. No Liability. Neither the Agent nor any of its shareholders, directors, officers or employees nor any other Person assisting them in their duties nor any agent or employee thereof, shall be liable for any waiver, consent or approval given or any action taken, or omitted to be taken, in good faith by it or them hereunder or under any of the other Loan Documents, or in connection herewith or therewith, or be responsible for the consequences of any oversight or error of judgment whatsoever, except that the Agent or such other Person, as the case may be, may be liable for losses due to its willful misconduct or gross negligence.

10.4. No Representations. The Agent shall not be responsible for the execution or validity or enforceability of this Agreement, the Revolving Credit Notes, any of the other Loan Documents or any instrument at any time constituting, or intended to constitute, collateral security for the Revolving Credit Notes, or for the value of any such collateral security or for the validity, enforceability or collectibility of any such amounts owing with respect to the Revolving Credit Notes, or for any recitals or statements, warranties or representations made herein or in any of the other Loan Documents or in any certificate or instrument hereafter furnished to it by or on behalf of the Borrower or any of its Subsidiaries, or be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or in any instrument at any time constituting, or intended to constitute, collateral security for the Revolving Credit Notes or to inspect any of the properties, books or records of the Borrower or any of its Subsidiaries. The Agent shall not be bound to ascertain whether any notice, consent, waiver or request delivered to it by the Borrower or any holder of any of the Revolving Credit Notes shall have been duly authorized or is true, accurate and complete. The Agent has not made nor does it now make any representations or warranties, express or implied, nor does it assume any liability to the Banks, with respect to the credit worthiness or financial conditions of the Borrower or any of its Subsidiaries. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based upon such information and documents as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement.

10.5. Payments.

10.5.1. Payments to Agent. A payment by the Borrower to the Agent hereunder or any of the other Loan Documents for the account of any Bank shall constitute a payment to such Bank. The Agent agrees promptly to distribute to each Bank such Bank's pro rata share of payments received by the Agent for the account of the Banks except as otherwise expressly provided herein or in any of the other Loan Documents.

10.5.2. Distribution by Agent. If in the opinion of the Agent the distribution of any amount received by it in such capacity hereunder, under the Revolving Credit Notes or under any of the other Loan Documents might involve it in liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received and distributed by the Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to the Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

10.5.3. Delinquent Banks. Notwithstanding anything to the contrary contained in this Agreement or any of the other Loan Documents, any Bank that fails (a) to make available to the Agent its pro rata share of any Revolving Credit Loan or (ii) to comply with the provisions of (S)9 with respect to making dispositions and arrangements with the other Banks, where such Bank's share of any payment received, whether by setoff or otherwise, is in excess of its pro rata share of such payments due and payable to all of the Banks, in each case as, when and to the full extent required by the provisions of this Agreement, shall be deemed delinquent (a "Delinquent Bank") and shall be deemed a Delinquent Bank until such time as such delinquency is satisfied. A Delinquent Bank shall be deemed to have assigned any and all payments due to it from the Borrower, whether on account of outstanding Revolving Credit Loans, interest, fees or otherwise, to the remaining nondelinquent Banks for application to, and reduction of, their respective pro rata shares of all outstanding Revolving Credit Loans. The Delinquent Bank hereby authorizes the Agent to distribute such payments to the nondelinquent Banks in proportion to their respective pro rata shares of all outstanding Revolving Credit Loans. A Delinquent Bank shall be deemed to have satisfied in full a delinquency when and if, as a result of application of the assigned payments to all outstanding Revolving Credit Loans of the nondelinquent Banks, the Banks' respective pro rata shares of all outstanding Revolving Credit Loans have returned to those in effect immediately prior to such delinquency and without giving effect to the nonpayment causing such delinquency.

10.6. Holders of Revolving Credit Notes. The Agent may deem and treat the payee of any Revolving Credit Note as the absolute owner or purchaser thereof for all purposes hereof until it shall have been furnished in writing with a different name by such payee or by a subsequent holder, assignee or transferee.

10.7. Indemnity. The Banks ratably agree hereby to indemnify and hold harmless the Agent from and against any and all claims, actions and suits (whether groundless or otherwise), losses, damages, costs, expenses (including any expenses for which the Agent has not been reimbursed by the Borrower as

required by (S)12), and liabilities of every nature and character arising out of or related to this Agreement, the Revolving Credit Notes, or any of the other Loan Documents or the transactions contemplated or evidenced hereby or thereby, or the Agent's actions taken hereunder or thereunder, except to the extent that any of the same shall be directly caused by the Agent's willful misconduct or gross negligence.

10.8. Agent as Bank. In its individual capacity, BankBoston shall have the same obligations and the same rights, powers and privileges in respect to its Commitment and the Revolving Credit Loans made by it, and as the holder of any of the Revolving Credit Notes, as it would have were it not also the Agent.

10.9. Resignation. The Agent may resign at any time by giving sixty (60) days prior written notice thereof to the Banks and the Borrower. Upon any such resignation, the Majority Banks shall have the right to appoint a successor Agent. Unless a Default or Event of Default shall have occurred and be continuing, such successor Agent shall be reasonably acceptable to the Borrower. If no successor Agent shall have been so appointed by the Majority Banks and shall have accepted such appointment within thirty (30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a financial institution having a rating of not less than A or its equivalent by Standard & Poor's Corporation. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation, the provisions of this Agreement and the other Loan Documents shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent.

10.10. Notification of Defaults and Events of Default. Each Bank hereby agrees that, upon learning of the existence of a Default or an Event of Default, it shall promptly notify the Agent thereof. The Agent hereby agrees that upon receipt of any notice under this (S)10.10 it shall promptly notify the other Banks of the existence of such Default or Event of Default.

11. ASSIGNMENT AND PARTICIPATION.

11.1. Conditions to Assignment by Banks. Except as provided herein, each Bank may assign to one or more Eligible Assignees all or a portion of its interests, rights and obligations under this Credit Agreement (including all or a portion of its Commitment Percentage and Commitment and the same portion of the Revolving Credit Loans at the time owing to it, the Revolving Credit Notes held by it); provided that (a) each of the Agent and, unless a Default or Event of Default shall have occurred and be continuing, the Borrower shall have given its prior written consent to such assignment, which consent, in the case of the Borrower, will not be unreasonably withheld, (b) each such

assignment shall be of a constant, and not a varying, percentage of all the assigning Bank's rights and obligations under this Agreement, (c) each assignment shall be in an amount that is a whole multiple of $1,000,000 and (d) the parties to such assignment shall execute and deliver to the Agent, for recording in the Register (as hereinafter defined), an Assignment and Acceptance, in form and substance satisfactory to the Agent (an "Assignment and Acceptance"), together with any Revolving Credit Notes subject to such assignment. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof, (i) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and (ii) the assigning Bank shall, to the extent provided in such assignment and upon payment to the Agent of the registration fee referred to in (S)11.3, be released from its obligations under this Agreement.

11.2. Certain Representations and Warranties; Limitations; Covenants. By executing and delivering an Assignment and Acceptance, the parties to the assignment thereunder confirm to and agree with each other and the other parties hereto as follows:

(a) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, the assigning Bank makes no representation or warranty, express or implied, and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Credit Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto,

(b) the assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower and their Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations, or the performance or observance by the Borrower and its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations of any of their obligations under this Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto;

(c) such assignee confirms that it has received a copy of this Credit Agreement, together with copies of the most recent financial statements referred to in (S)7.1 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(d) such assignee will, independently and without reliance upon the assigning Bank, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(e) such assignee represents and warrants that it is an Eligible Assignee;

(f) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto;

(g) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank; and

(h) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance.

11.3. Register. The Agent shall maintain a copy of each Assignment and Acceptance delivered to it and a register or similar list (the "Register") for the recordation of the names and addresses of the Banks and the Commitment Percentage of, and principal amount of the Revolving Credit Loans owing to the Banks from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Credit Agreement. The Register shall be available for inspection by the Borrower and the Banks at any reasonable time and from time to time upon reasonable prior notice. Upon each such recordation, the assigning Bank agrees to pay to the Agent a registration fee in the sum of $2,500.

11.4. New Revolving Credit Notes. Upon its receipt of an Assignment and Acceptance executed by the parties to such assignment, together with each Revolving Credit Note subject to such assignment, the Agent shall (a) record the information contained therein in the Register, and (b) give prompt notice thereof to the Borrower and the Banks (other than the assigning Bank). Within five (5) Business Days after receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent, in exchange for each surrendered Revolving Credit Note, a new Revolving Credit Note to the order of such Eligible Assignee in an amount equal to the amount assumed by such Eligible Assignee pursuant to such Assignment and Acceptance and, if the assigning Bank has retained some portion of its obligations hereunder, a new Revolving Credit Note to the order of the assigning Bank in an amount equal to the amount retained by it hereunder. Such new Revolving Credit Notes shall provide that they are replacements for the surrendered Revolving Credit Notes, shall be in an

aggregate principal amount equal to the aggregate principal amount of the surrendered Revolving Credit Notes, shall be dated the effective date of such in Assignment and Acceptance and shall otherwise be substantially the form of the assigned Revolving Credit Notes. Within five (5) days of issuance of any new Revolving Credit Notes pursuant to this (S)11.4, the Borrower shall deliver an opinion of counsel, addressed to the Banks and the Agent, relating to the due authorization, execution and delivery of such new Revolving Credit Notes and the legality, validity and binding effect thereof, in form and substance satisfactory to the Banks. The surrendered Revolving Credit Notes shall be canceled and returned to the Borrower.

11.5. Participations. Each Bank may sell participations to one or more banks or other entities in all or a portion of such Bank's rights and obligations under this Credit Agreement and the other Loan Documents; provided that (a) any such sale or participation shall not affect the rights and duties of the selling Bank hereunder to the Borrower, and (b) the only rights granted to the participant pursuant to such participation arrangements with respect to waivers, amendments or modifications of the Loan Documents shall be the rights to approve waivers, amendments or modifications that would reduce the principal of or the interest rate on any Revolving Credit Loans, extend the term or increase the amount of the Commitment of such Bank as it relates to such participant, reduce the amount of any commitment fees to which such participant is entitled or extend any regularly scheduled payment date for principal or interest.

11.6. Disclosure. The Borrower agrees that in addition to disclosures made in accordance with standard and customary banking practices any Bank may disclose information obtained by such Bank pursuant to this Agreement to assignees or participants and potential assignees or participants hereunder; provided that such assignees or participants or potential assignees or participants shall agree (a) to treat in confidence such information unless such information otherwise becomes public knowledge, (b) not to disclose such information to a third party, except as required by law or legal process and (c) not to make use of such information for purposes of transactions unrelated to such contemplated assignment or participation.

11.7. Assignee or Participant Affiliated with the Borrower. If any assignee Bank is an Affiliate of the Borrower or any of its Subsidiaries, then any such assignee Bank shall have no right to vote as a Bank hereunder or under any of the other Loan Documents for purposes of granting consents or waivers or for purposes of agreeing to amendments or other modifications to any of the Loan Documents or for purposes of making requests to the Agent pursuant to (S)11.1 or (S)11.2, and the determination of the Majority Banks shall for all purposes of this Agreement and the other Loan Documents be made without regard to such assignee Bank's interest in any of the Revolving Credit Loans. If any Bank sells a participating interest in any of the Revolving Credit Loans to a participant, and such participant is the Borrower or an Affiliate of the Borrower, then such transferor Bank shall promptly notify the Agent of the sale of such

participation. A transferor Bank shall have no right to vote as a Bank hereunder or under any of the other Loan Documents for purposes of granting consents or waivers or for purposes of agreeing to amendments or modifications to any of the Loan Documents or for purposes of making requests to the Agent pursuant to (S)11.1 or (S)11.2 to the extent that such participation is beneficially owned by the Borrower or any Affiliate of the Borrower, and the determination of the Majority Banks shall for all purposes of this Agreement and the other Loan Documents be made without regard to the interest of such transferor Bank in the Revolving Credit Loans to the extent of such participation.

11.8. Miscellaneous Assignment Provisions. Any assigning Bank shall retain its rights to be indemnified pursuant to (S)12 with respect to any claims or actions arising prior to the date of such assignment. If any assignee Bank is not incorporated under the laws of the United States of America or any state thereof, it shall, prior to the date on which any interest or fees are payable hereunder or under any of the other Loan Documents for its account, deliver to the Borrower and the Agent certification as to its exemption from deduction or withholding of any United States federal income taxes. Anything contained in this (S)11 to the contrary notwithstanding, any Bank may at any time pledge all or any portion of its interest and rights under this Agreement (including all or any portion of its Revolving Credit Notes) to any of the twelve Federal Reserve Banks organized under (S)4 of the Federal Reserve Act, 12 U.S.C. (S)341. No such pledge or the enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents.

11.9. Assignment by Borrower. The Borrower shall not assign or transfer any of its rights or obligations under any of the Loan Documents without the prior written consent of each of the Banks.

12. MISCELLANEOUS.

The Borrower agrees to indemnify and hold harmless the Agent and the Banks and their officers, employees, affiliates, agents, and controlling persons from and against all claims, damages, liabilities and losses of every kind arising out of the Loan Documents, including without limitation, against those in respect of the application of Environmental Laws to the Borrower and its Subsidiaries absent the gross negligence or willful misconduct of the Agent and the Banks. The Borrower shall pay to the Agent and the Banks promptly on demand all costs and expenses (including any taxes and reasonable legal and other professional fees [and fees of its commercial finance examiner which commercial finance examiner fees shall not exceed $5,000 in any twelve (12) month period prior to the occurrence of an Event of Default]) incurred by the Agent and the Banks in connection with the preparation, negotiation, execution, amendment, administration or enforcement of any of the Loan Documents. Any communication to be made hereunder shall (a) be made in writing, but unless otherwise stated, may be made by telex, facsimile transmission, overnight delivery or letter, and (b) be made or delivered to the address of the party receiving notice which is identified with its signature below (unless such party

has by five (5) days written notice specified another address), and shall be deemed made or delivered, when dispatched, left at that address, one (1) day after given to an overnight delivery service, or five (5) days after being mailed, postage prepaid, to such address. This Agreement shall be binding upon and inure to the benefit of each party hereto and its successors and assigns, but the Borrower may not assign its rights or obligations hereunder. This Agreement may not be amended or waived except by a written instrument signed by the Borrower, the Agent and the Majority Banks, and any such amendment or waiver shall be effective only for the specific purpose given; provided, however, -------- -------

notwithstanding the foregoing, (a) (i) the rate of interest on the Revolving Credit Notes, (ii) the term of the Revolving Credit Notes, (iii) the Commitment amounts and the amount of the fees hereunder, (iv) the definition of Majority Banks, (v) the advance rates set forth in the definition of Borrowing Base, and (vi) this sentence of (S)12 shall not be changed without the written consent of all the Banks, and (b) (i) the amount of the agent's fee and (ii) (S)10 may not be amended without the consent of the Agent. No failure or delay by the Bank to exercise any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other right, power or privilege. The provisions of this Agreement are severable and if any one provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, such invalidity or unenforceability shall affect only such provision in such jurisdiction. This Agreement, together with all Schedules hereto, expresses the entire understanding of the parties with respect to the transactions contemplated hereby. This Agreement and any amendment hereby may be executed in several counterparts, each of which shall be an original, and all of which shall constitute one agreement. In proving this Agreement, it shall not be necessary to produce more than one such counterpart executed by the party to be charged. THIS AGREEMENT AND THE REVOLVING CREDIT NOTES ARE CONTRACTS UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL BE CONSTRUED IN ACCORDANCE THEREWITH AND GOVERNED THEREBY. THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF ANY OF THE LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN. The Borrower, as an inducement to the Bank to enter into this Agreement, hereby waives its right to a jury trial with respect to any action arising in connection with any Loan Document.

IN WITNESS WHEREOF, the undersigned have duly executed this Revolving Credit Agreement as a sealed instrument as of the date first above written.

CMG INFORMATION SERVICES, INC.

By: /s/ Andrew J. Hajducky III

Name: Andrew J. Hajducky III
Title: Treasurer

Address:
---

100 Brickston Square, First Floor
Andover, Massachusetts 01810
Tel: (508)
Fax: (508)

BANKBOSTON, N.A. (f/k/a/ The First National Bank of Boston), individually and as Agent

By: Daniel G. Head, Jr.

Name: Daniel G. Head, Jr.
Title: Vice President

Address:
---

100 Federal Street
High Technology Division
Boston, Massachusetts 02110
Tel: (617)434-7524
Fax: (617)434-0819

Exhibit 10.50

REVOLVING CREDIT NOTE

$10,000,000 as of May 14, 1997

FOR VALUE RECEIVED, the undersigned CMG INFORMATION SERVICES, INC. a Delaware corporation (the "Borrower"), hereby promises to pay to the order of BANKBOSTON, N.A. (f/k/a The First National Bank of Boston), a national banking association (the "Bank") at the Agent's Head Office (as such term is defined in the Credit Agreement referred to below):

(a) prior to or on the Revolving Credit Loan Maturity Date the principal amount of TEN MILLION DOLLARS ($10,000,000) or, if less, the aggregate unpaid principal amount of Revolving Credit Loans advanced by the Bank to the Borrower pursuant to the Revolving Credit Agreement dated as of May 14, 1997 (as amended and in effect from time to time, the "Credit Agreement"), among the Borrower, the Bank and other parties thereto;

(b) the principal outstanding hereunder from time to time at the times provided in the Credit Agreement; and

(c) interest on the principal balance hereof from time to time outstanding from the Closing Date under the Credit Agreement through and including the maturity date hereof at the times and at the rate provided in the Credit Agreement.

This Note evidences borrowings under and has been issued by the Borrower in accordance with the terms of the Credit Agreement. The Bank and any holder hereof is entitled to the benefits of the Credit Agreement, the Guaranty and the other Loan Documents, and may enforce the agreements of the Borrower contained therein, and any holder hereof may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the respective terms thereof. All capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

The Borrower irrevocably authorizes the Bank to make or cause to be made, at or about the time of the Drawdown Date of any Revolving Credit Loan or at the time of receipt of any payment of principal of this Note, an appropriate notation on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, reflecting the making of such Revolving Credit Loan or (as the case may be) the receipt of such payment. The outstanding amount of the Revolving Credit Loans set forth on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, maintained by the Bank with respect to any Revolving Credit Loans shall be prima facie evidence of the principal amount

thereof owing and unpaid to the Bank, but the failure to record, or any error in so recording, any such amount on any such grid, continuation or other record shall not limit or otherwise affect the obligation of the Borrower hereunder or under the Credit Agreement to make payments of principal of and interest on this Note when due.

The Borrower has the right in certain circumstances and the obligation under certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

No delay or omission on the part of the Bank or any holder hereof in exercising any right hereunder shall operate as a waiver of such right or of any other rights of the Bank or such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar or waiver of the same or any other right on any further occasion.

The Borrower and every endorser and guarantor of this Note or the obligation represented hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

THIS NOTE AND THE OBLIGATIONS OF THE BORROWER HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND THE CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER BY MAIL AT THE ADDRESS SPECIFIED BENEATH THE BORROWER'S SIGNATURE ON THE SIGNATURE PAGE OF THE CREDIT AGREEMENT. THE BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

This Note shall be deemed to take effect as a sealed instrument under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the undersigned has caused this Revolving Credit Note to be signed in its corporate name and its corporate seal to be impressed thereon by its duly authorized officer as of the day and year first above written.

[Corporate Seal]

CMG INFORMATION SERVICES, INC.

By: /s/ Andrew J. Hajducky

Title: Treasurer

Date	Amount of Loan	Amount of Principal Paid or Prepaid	Balance of Principal Unpaid	Notation Made By:

Exhibit 11

CMG INFORMATION SERVICES, INC.
STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS
(in thousands, except per share data)

	Year Ended July 31, 1997	1996	1995
Primary:			
Income (loss) from continuing operations	$(22,027)	$14,322	$ 4,762
Discontinued operations, net of income taxes:			
Loss from operations of BookLink Technologies, Inc.	--	--	(690)
Gain on disposal of BookLink Technologies, Inc.	--	--	24,143
Net income (loss)	$(22,027)	$14,322	$28,215
Weighted average common and common equivalent shares outstanding:			
Shares outstanding at the beginning of the year	9,167	8,839	8,767
Weighted average treasury shares acquired during the year	(26)	--	--
Weighted average shares issued during the year	288	165	18
Weighted average common stock equivalents	--	678	606
Weighted average common and common equivalent shares outstanding	9,429	9,682	9,391
Income (loss) from continuing operations	$ (2.34)	$ 1.48	$ 0.51
Discontinued operations, net of income taxes:			
Loss from operations of BookLink Technologies, Inc.	--	--	(0.07)
Gain on disposal of BookLink Technologies, Inc	--	--	2.56
Primary net income (loss) per share	$ (2.34)	$ 1.48	$ 3.00
Fully diluted:			
Income (loss) from continuing operations	$(22,027)	$14,322	$ 4,762
Discontinued operations, net of income taxes:			
Loss from operations of BookLink Technologies, Inc.	--	--	(690)
Gain on disposal of BookLink Technologies, Inc.	--	--	24,143
Net income (loss)	$(22,027)	$14,322	$28,215
Weighted average common and common equivalent shares outstanding:			
Shares outstanding at the beginning of the year	9,167	8,839	8,767
Weighted average treasury shares acquired during the year	(26)	--	--
Weighted average shares issued during the year	288	165	18
Weighted average common stock equivalents	--	894	959
Weighted average common and common equivalent shares outstanding	9,429	9,898	9,744
Income (loss) from continuing operations per share	$ (2.34)	$ 1.45	$ 0.49
Discontinued operations, net of income taxes:			
Loss from operations of BookLink Technologies, Inc.	--	--	(0.07)
Gain on disposal of BookLink Technologies, Inc.	--	--	2.48
Fully diluted net income (loss) per share	$ (2.34)	$ 1.45	$ 2.90

All share information contained in the per share calculations has been adjusted to reflect 2-for-1 and 3-for-2 common stock splits effected as stock dividends on February 2, 1996 and March 17, 1995, respectively.

SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA - The following table sets forth selected consolidated financial information of the company for the five years in the period ended July 31, 1997. This selected financial information should be read in conjunction with the company's Consolidated Financial Statements and related Notes.

(in thousands, except per share data)

	Years ended July 31,				
	1997	1996	1995	1994	1993
Consolidated Statement of Operations Data:					
Net revenues	$ 70,607	$ 28,485	$22,293	$19,388	$16,548
Cost of revenues	42,152	17,909	13,014	11,329	10,028
Research and development expenses	25,058	6,971	--	--	--
In-process research and development expenses	1,312	2,691	--	--	--
Selling, general and administrative expenses	55,194	21,488	6,387	4,792	4,225
Operating income (loss)	(53,109)	(20,574)	2,892	3,267	2,295
Interest income (expense), net	1,749	2,691	225	(96)	(323)
Gain on sale of investment in TeleT Communications	3,616	--	--	--	--
Gain on sale of NetCarta Corporation	15,111	--	--	--	--
Gain on dividend distribution of Lycos, Inc. common stock	8,413	--	--	--	--
Gain on sale of available-for-sale securities	--	30,049	4,781	--	--
Gain on issuance of stock by subsidiary	--	19,575	--	--	--
Other income (expense), net	(769)	(746)	(292)	--	(139)
Income tax benefit (expense)	2,962	(16,673)	(2,844)	(1,211)	(627)
Income from continuing operations	(22,027)	14,322	4,762	1,960	1,206
Gain from discontinued operations	--	--	23,453	(159)	--
Net income (loss)	$(22,027)	$ 14,322	$28,215	$ 1,801	$ 1,206
Fully diluted earnings (loss) per share:					
Income (loss) from continuing operations	$(2.34)	$1.45	$ 0.49	$ 0.25	$0.19
Discontinued operations	--	--	2.41	(0.02)	--
Net income (loss)	$(2.34)	$1.45	$ 2.90	$ 0.23	$0.19
Weighted average shares outstanding - fully diluted	9,429	9,898	9,744	7,801	6,310
Consolidated Balance Sheet Data:					
Working capital	$ 38,554	$ 72,009	$47,729	$ 5,925	$(1,441)
Total assets	148,354	109,503	80,486	12,740	7,260
Long-term obligations	16,769	555	508	165	931
Redeemable convertible preferred stock	--	--	--	--	250
Stockholders' equity	29,448	53,992	55,490	8,867	174

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

The discussion in this report contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below in "Risk Factors that May Affect Future Results", as well as those discussed in this section and elsewhere in this report.

OVERVIEW

In 1986, CMG Information Services, Inc. was formed through the acquisition of College Marketing Group, Inc. which had been in operation since 1968. Since its origins, the Company has expanded the breadth and depth of its product and service offerings to the direct marketing industry. The Company completed and introduced the College List database in 1973, and diversified its mailing list product offerings in 1982 through the introduction of the Information Buyers List database. In 1992, the Company introduced its Elementary/High School List database. In the course of creating and developing these databases and lists, the Company also developed expertise in servicing and managing customer and prospect lists compiled by its clients, leading to the establishment of the Company's ListLab and ListLine services in 1987 and 1989, respectively. In 1989, the Company also completed the acquisition of the business of SalesLink Corporation (SalesLink), which provides "fulfillment services" including sales lead/inquiry management, product and literature fulfillment, and business-to-business telemarketing services.

In February of 1994, the Company formed a new subsidiary, BookLink Technologies, Inc. (BookLink), which developed InternetWorks, a PC-based viewer/browser for the Internet. In December 1994, the Company sold all outstanding stock of BookLink to America Online (AOL) for 1,420,000 shares of AOL common stock. After selling its AOL stock, the Company realized a pretax gain on the transaction in excess of $70 million.

In February 1995, the Company formed its Internet investment and development arm, CMG @Ventures L.P., to provide intellectual and financial capital to companies seeking to further the commercialization of the Internet and other interactive media through the development and application of information-based direct marketing products and services. The Company owns 100% of the capital and is entitled to 77.5% of the net capital gains of CMG @Ventures, L.P. During fiscal year 1995, the Company, (through CMG @Ventures) acquired, formed or invested in four new companies, including Lycos, Inc. (Lycos), which has developed into a leading global Internet navigation center, NetCarta Corporation (NetCarta), a developer of Internet Web navigation and content management tools, FreeMark Communications, Inc. (FreeMark), a developer of advertising sponsored e-mail services, and Ikonic Interactive, Inc. (Ikonic), a Web consulting and development company. While FreeMark suspended operations in December 1996, CMG sold its investment in NetCarta to Microsoft in January 1997 and recognized a pre-tax gain of $15.1 million. In fiscal year 1996, Lycos successfully completed an initial public offering of 3,135,000 shares of its common stock, raising net proceeds to Lycos of $46 million. CMG distributed 603,000 shares of Lycos common stock to CMG's shareholders in the form of a dividend on July 31, 1997. As of July 31, 1997 CMG continued to own approximately 53% of Lycos and 37% of Ikonic.

The Company continued its growth and development in fiscal year 1996 with the acquisition, formation or investment in eight new companies. CMG @Ventures added four new investments in companies, including Blaxxun Interactive, Inc. (Blaxxun, formerly Black Sun Interactive, Inc.), a developer of three dimensional interactive software, GeoCities, a builder and operator of special-interest online communities, Vicinity Corporation (Vicinity), a provider of geographically oriented content and services for the Web, and TeleT Communications LLC (TeleT), a marketer of products which allow direct telephone-to-Internet access for adding or editing Web pages, and also enable users to communicate in their own voices to other Web users. CMG @Ventures' investment in TeleT was made in April 1996 and totaled $750,000. In September 1996, CMG @Ventures sold its equity investment in TeleT to Premiere Technologies, Inc. receiving cash and Premiere Technologies, Inc. common stock with a total value of approximately $8,250,000 at the date of closing. In August 1995, CMG formed a new subsidiary, Engage Technologies, Inc. (Engage, formerly CMG Direct Interactive, Inc.) from the Company's former ListLab division. In addition to the Company's traditional list management services, Engage has evolved into a database and Internet software systems company, focusing on direct marketing solutions. Also during fiscal 1996, the Company formed three new wholly-owned subsidiaries, ADSmart Corporation (ADSmart), InfoMation Publishing Corporation (InfoMation) and Planet Direct Corporation (Planet Direct). ADSmart was formed to capitalize on Internet advertising opportunities, and InfoMation builds knowledge management applications. Planet Direct was formed to combine and leverage the Company's Internet technologies to provide a content based product for Internet service providers.

During fiscal year 1997, CMG completed its $35 million commitment to fund CMG @Ventures L.P. and formed a new limited liability company subsidiary, CMG @Ventures II LLC. During fiscal 1997, through CMG @Ventures L.P and CMG @Ventures II LLC, CMG acquired minority investment interests in six new companies, including a 46% investment interest in Parable LLC (Parable), a software firm developing multimedia tools and technology, a 23% interest in Silknet Software, Inc. (Silknet), a provider of Web-based customer service software, a 15% interest in Sage Enterprises, Inc. (Sage Enterprises), the innovator of the Planet All service which helps Internet users stay in touch with the people and groups they care about, a 9% interest in Softway Systems,

Inc. (Softway Systems), a provider of UNIX system products for Windows NT, a 31% interest in Reel.com LLC (Reel.com), a marketer of video sales and rentals through Web-based and traditional retail channels, and a 15% interest in KOZ, inc., a provider of an integrated set of Web-based publishing solutions that allow organizations or groups to share information with their members and the community at large. Also during fiscal year 1997, the Company's subsidiary, SalesLink acquired Pacific Direct Marketing Corporation (Pacific Link), lending substantial revenue growth to the Company's fulfillment

services segment. In addition, the Company formed NaviSite Internet Services Corporation (NaviSite) to provide Web hosting and Internet server management, and formed CMG Direct, Inc. to provide solutions for integrating traditional direct marketing with Internet marketing.

The Company has adopted a strategy of seeking opportunities to realize significant gains through the selective sale of investments or having separate subsidiaries or affiliates sell minority interests to outside investors. The Company believes that this strategy provides the ability to significantly increase shareholder value as well as provide capital to support the growth in the Company's subsidiaries and investments. Additionally, in fiscal year 1998, the Company will continue to develop and refine the products and services of its businesses, with the goal of significantly increasing revenue as new products are commercially introduced, and will continue to pursue a strong pace of investing in new Internet opportunities.

RESULTS OF OPERATIONS

The following table sets forth, for the years indicated, certain items from the Company's Consolidated Statements of Operations expressed as a percentage of net revenues.

	Fiscal Year Ended July 31,		
	1997	1996	1995
Net revenues	100%	100%	100%
Cost of revenues	60	63	58
Research and development expenses	35	24	--
In-process research and development expenses	2	9	--
Selling, general and administrative expenses	78	76	29
Operating income (loss)	(75)	(72)	13
Interest income, net	3	9	1
Gain on sale of NetCarta Corporation	21	--	--
Gain on dividend distribution of Lycos, Inc. common stock	12	--	--
Gain on sale of investment in TeleT Communications	5	--	--
Gain on sale of available-for-sale securities	--	105	21
Gain on issuance of stock by subsidiary	--	69	--
Equity in losses of affiliates	(8)	(10)	(1)
Minority interest	7	8	--
Income tax benefit (expense)	4	(59)	(13)
Income (loss) from continuing operations	(31)%	50%	21%

The Company's operations have been classified into three business segments (i) investment and development, (ii) fulfillment services, and (iii) lists and database services. (See note 3 of Notes to Consolidated Financial Statements.)

Fiscal 1997 Compared to Fiscal 1996

Net revenues increased $42,122,000, or 148%, to $70,607,000 in 1997 from $28,485,000 in 1996. The increase was attributable to increases of $24,069,000 and $18,252,000 in net revenues for the Company's fulfillment services and investment and development segments, respectively. The fulfillment services segment increase is primarily due to the acquisition of Pacific Link on October 24, 1996 as well as the addition of several new SalesLink accounts closed in the second half of fiscal year 1996. The increase in net revenues for the investment and development segment primarily reflects increased revenues by the Company's subsidiary, Lycos, whose net revenues for the 1997 fiscal year increased by $16,996,000 in comparison with 1996. Net revenues in the lists and database services segment decreased by $199,000 during 1997 due to continued consolidation in the educational publishing industry and competitive pricing pressure. The Company expects that net revenues for the fulfillment services segment in the first quarter of fiscal 1998 will be significantly higher than the corresponding quarter of fiscal 1997 due to the addition of Pacific Link at the end of the first quarter of fiscal 1997. Additionally, the Company believes that its portfolio of companies will continue to develop and introduce their products commercially, actively pursue increased revenues from new and existing customers, and look to expand into new market opportunities during fiscal 1998. Therefore, the Company expects to report future revenue growth.

Cost of revenues increased $24,243,000, or 135%, to $42,152,000 in 1997 from $17,909,000 in 1996, primarily due to increases of $18,740,000 and $4,911,000 in the fulfillment services and investment and development segments, respectively, resulting from higher revenues. In the fulfillment services segment, cost of revenues as a percentage of net revenues increased to 74% in 1997 from 65% in 1996 due to the mix of services associated with the acquisition of Pacific Link at the end of the first quarter of fiscal 1997. In the investment and development segment, cost of revenues as a percentage of net revenues decreased to 35% in 1997 from 60% in 1996 due to the ability to spread fixed costs, such as facilities and equipment costs, over a larger revenue base.

Research and development expenses increased $18,087,000, or 260%, to $25,058,000 in fiscal 1997 from $6,971,000 in fiscal 1996. The increase consists primarily

of an increase of $12,516,000 in research and development expenses for the investment and development segment as product development activities continued at all of the Company's consolidated Internet investments. Also, research and development expenses increased $5,732,000 in the lists and database services segment reflecting the continued development of Engage Technologies' data mining, querying, analysis and targeting products and services. The Company recorded $1,312,000 of in-process research and development expenses related to investments in Parable and Silknet during 1997, compared with $2,691,000 of in-process research and development expenses recorded in 1996 related to the acquisition of several Internet investments during 1996. The Company anticipates it will continue to devote substantial resources to product development and that these costs may substantially increase in future periods.

Selling expenses increased $25,917,000, or 222% to $37,583,000 in 1997 from $11,666,000 in 1996. This increase was primarily attributable to a $22,609,000 selling expense increase in the Company's investment and development segment, reflecting the sales and marketing efforts related to several product launches and continued growth of sales and marketing infrastructures by the subsidiaries of this segment. Also, during 1997, Lycos launched a national television advertising campaign which contributed to the increased selling expenses in the investment and development segment. Selling expenses in the lists and database services segment increased by $1,982,000 versus 1996 due to product launch expenses and the continued building of sales and marketing infrastructure for Engage Technologies. Selling expenses in the fulfillment services segment increased by $1,326,000 in comparison with 1996 due to the acquisition of Pacific Link. Selling expenses increased as a percentage of net revenues to 53% in 1997 from 41% in 1996. The Company anticipates that its subsidiaries will continue to introduce new products and expand revenues and, therefore, expects to incur significant promotional expenses, increased advertising expenses, as well as expenses related to the hiring of additional sales and marketing personnel, and anticipates that these costs may substantially increase in absolute dollar amounts in future periods.

General and administrative expenses increased $7,789,000, or 79%, to $17,611,000 in 1997 from $9,822,000 in 1996. The investment and development segment and lists and database services segment experienced increases of $4,884,000 and $1,505,000, respectively, due to the addition of management personnel and administrative infrastructure in several of the Company's Internet investments and Engage Technologies. General and administrative expenses in the fulfillment services segment increased by $1,400,000 in comparison with fiscal 1996 due to the acquisition of Pacific Link, including approximately $804,000 of goodwill amortization charges. General and administrative expenses decreased as a percentage of net revenues to 25% in 1997 from 35% in 1996 due to the significant increase in net revenues in fiscal year 1997. The Company anticipates that its general and administrative expenses will continue to increase in absolute dollar amounts as the Company's subsidiaries, particularly in the investment and development segment, continue to expand their administrative staffs and infrastructures.

Gain on sale of NetCarta Corporation in fiscal 1997 reflects the Company's pre-tax gain of $15,111,000 on the sale of this subsidiary to Microsoft Corporation on January 31, 1997. Gain on distribution of Lycos stock of $8,413,000 in fiscal 1997 resulted from the dividend distribution of 603,000 shares of Lycos common stock to CMG shareholders on July 31, 1997. This distribution represented the first dividend under the Company's venture dividend program which was announced in May 1997 (see further description of this program in the Liquidity and Capital Resources section below). Gain on sale of investment in TeleT Communications of $3,616,000 in fiscal 1997 resulted when the Company sold its equity interest in TeleT to Premiere Technologies, Inc. (Premiere) in exchange for $550,000 and 320,833 shares of Premiere stock in September 1996. Gain on sale of available-for-sale securities in fiscal 1996 occurred when the Company sold its remaining 1,020,000 shares of AOL common stock, realizing a gain of $30,049,000 in October 1995. Gain on issuance of stock by subsidiary in fiscal 1996 represented the Company's $19,575,000 gain recorded as a result of the sale of stock by Lycos in an initial public offering in April 1996. The gain from the Lycos stock offering reflected the increase in the Company's proportionate share of Lycos' equity.

Interest income increased $618,000 to $3,368,000 in 1997 from $2,750,000 in 1996. The increase in interest income primarily reflects income earned by Lycos from the investment of the proceeds of their initial public offering, which occurred in April 1996, partially offset by the impact of lower corporate cash balances in fiscal 1997 as compared with fiscal 1996. Interest expense increased $1,560,000 to $1,619,000 in 1997 from $59,000 in 1996. The increase in interest expense was primarily due to borrowings incurred to finance the Company's acquisition of Pacific Link and interest expense related to the Company's $10,000,000 collateralized corporate note payable to a bank which was issued in January 1997.

Equity in losses of affiliates resulted from the Company's minority ownership in certain investments which are accounted for under the equity method. Under the equity method of accounting the Company's proportionate share of each affiliate's operating losses and amortization of the Company's net excess investment over its equity in each affiliate's net assets is included in equity in losses of affiliates. The results for fiscal 1996 reflect five minority investments: FreeMark, Ikonic, GeoCities, Vicinity and TeleT. During the fourth quarter of fiscal 1996, the Company increased its ownership in FreeMark and GeoCities above 50% and, accordingly, began including their operating results in the Company's consolidated operating results. FreeMark was consolidated through December 1996 when it suspended operations. Equity in losses of affiliates for fiscal 1997 include the results from the Company's minority ownership in Ikonic, Vicinity, Parable, Silknet, Reel.com and TeleT (through the date of the sale of TeleT in September 1996). Also, in January 1997, GeoCities successfully completed a $9 million equity financing round in which CMG @Ventures contributed $2 million. With this round of financing, CMG @Ventures' ownership in GeoCities decreased from approximately 61% to approximately 41%, and the Company began accounting for its investment in GeoCities under the equity method of accounting, rather than the consolidation method and, accordingly, began including the results of its ownership in GeoCities in equity in losses of affiliates. In the fourth quarter of fiscal 1997, Vicinity repurchased certain shares of its common stock which had previously been outstanding. The repurchase of shares by Vicinity increased the Company's ownership in Vicinity above 50% and, accordingly, the Company began

including Vicinity's operating results in the Company's consolidated operating results beginning in the fourth quarter of fiscal 1997. The Company expects its portfolio companies to continue to invest in the development of products and services, and to recognize operating losses, which will result in future charges recorded by the Company to reflect its proportionate share of such losses.

Minority interest increased to $4,787,000 in 1997 from $2,169,000 in 1996 reflecting minority interest in net losses of consolidated subsidiaries within the Company's investment and development segment.

The Company's effective tax rates for fiscal 1997 and 1996 were 12% and 54%, respectively. The effective tax rates in fiscal 1997 and fiscal 1996 differed from the federal statutory rate of 35% primarily due to the provision for state income taxes and the Company's inability to record a tax benefit from operating losses of certain subsidiaries and affiliates not included in the Company's consolidated federal income tax return.

Fiscal 1996 Compared To Fiscal 1995

Net revenues increased $6,192,000, or 28%, to $28,485,000 in 1996 from $22,293,000 in 1995. The increase was primarily attributable to a revenues increase of $5,660,000 from the Company's investment and development segment which was formed during the third quarter of fiscal 1995 and includes fiscal 1996 revenues of $5,257,000 from Lycos, Inc. Additionally, fulfillment services segment revenues increased $984,000 reflecting several new hi-tech and healthcare customers, and lists and database services segment revenues declined $452,000 due to consolidation in the educational publishing industry and curtailed direct mail activity due to high paper and postage costs in the first half of the year.

Cost of revenues increased $4,895,000, or 38%, to $17,909,000 in 1996 from $13,014,000 in 1995, due primarily to an increase of $3,382,000 in costs related to the Company's new investment and development segment, an increase of $574,000 in the fulfillment services segment resulting from higher revenues, and an increase of $939,000 in the cost of revenues for the lists and database services segment. In the lists and database services segment, cost of revenues as a percentage of net revenues increased to 62% in 1996 from 51% in 1995. This increase was primarily attributable to increases in operating expenses related to the launching of the Company's Elementary/High School Database product line. Prior to fiscal 1996 all costs related to the development of the Elementary/High School Database product were capitalized.

Research and development expenses totaled $6,971,000 in 1996, consisting of $5,219,000 related to the operations of the investment and development segment, $1,559,000 incurred by Engage within the lists and database services segment and $193,000 relating to the fulfillment services segment. In addition, the Company recorded $2,691,000 of in-process research and development expenses related to the acquisition of several Internet investments. No research and development costs were incurred in fiscal year 1995.

Selling expenses increased $8,641,000, or 286%, to $11,666,000 in 1996 from $3,025,000 in 1995. This increase was primarily attributable to a $7,954,000 selling expense increase in the Company's new investment and development segment, reflecting the sales and marketing efforts related to various product launches. Additionally, selling expense increases of $541,000 and $146,000 were incurred by the lists and database services and fulfillment services segments, respectively. Selling expenses increased as a percentage of net revenues to 41% in fiscal 1996 from 14% in fiscal 1995.

General and administrative expenses increased $6,460,000, or 192%, to $9,822,000 in fiscal 1996 from $3,362,000 in fiscal 1995. This increase was attributable to the creation of the investment and development business segment during the third quarter of fiscal 1995, which had expense increases of $5,729,000, including payroll, facilities, goodwill amortization, legal and accounting, depreciation and other general and administrative costs. Additionally, lists and database services segment general and administrative expenses increased $471,000, reflecting the strengthening of Engage's management infrastructure, and general and administrative costs for the Company's fulfillment services segment increased $260,000 over fiscal 1995. General and administrative expenses increased as a percentage of net revenues to 35% from 15% in fiscal 1995.

Equity in losses of affiliates resulted from the Company's minority ownership in certain investments, which were made through CMG @Ventures and are accounted for under the equity method. Under the equity method of accounting the Company's proportionate share of each affiliate's operating losses and amortization of the Company's net excess investment over its equity in each affiliate's net assets is included in equity in losses of affiliates. The 1995 results reflect one investment, FreeMark, which was acquired during the third quarter of 1995, with $306,000 equity in losses being recognized in fiscal 1995, compared with $2,915,000 for fiscal 1996, which included results from the Company's minority ownership in FreeMark, Ikonic, GeoCities, Vicinity, and TeleT. During the fourth quarter of fiscal 1996, the Company increased its ownership in FreeMark and GeoCities above 50% and, accordingly, began including their operating results in the Company's consolidated operating results beginning on the dates on which controlling interests were obtained.

Gain on sale of available-for-sale securities occurred when the Company sold its remaining 1,020,000 shares of America Online common stock, realizing a gain of $30,049,000 in October 1995. Gain on issuance of stock by subsidiary represents the Company's $19,575,000 gain recorded as a result of the sale of stock by its subsidiary, Lycos, in an initial public offering in April 1996. This gain from the Lycos stock offering reflects the increase in the Company's proportionate share of Lycos' equity. See Note 9 of Notes to Consolidated Financial Statements for a more complete description of this transaction. Interest income increased primarily due to income from investment of the proceeds from the sale

of the AOL stock and the Lycos public offering.

Minority interest increased to $2,169,000 in fiscal 1996 from $14,000 in fiscal 1995, reflecting minority interest in net losses of consolidated subsidiaries within the Company's investment and development business segment.

The Company's effective tax rates for the fiscal years ended July 31, 1996 and 1995 were 54% and 37%, respectively. The effective rate in fiscal 1996 differed from the federal statutory rate of 35% primarily due to the provision for state income taxes and the Company's inability to record a tax benefit from operating

losses of certain entities not included in the Company's consolidated income tax return. The effective rate in fiscal 1995 differed from the federal statutory rate of 34% primarily due to the provision for state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Working capital at July 31, 1997 decreased to $38.6 million compared to $72.0 million at July 31, 1996. The Company's principal uses of capital during fiscal 1997 were for funding of start-up activities in the Company's investment and development segment and lists and database services segment, the acquisition of Pacific Link, investments by CMG @Ventures L.P. and CMG @Ventures II LLC in several Internet companies, purchases of property and equipment, and purchases of treasury stock. The Company's principal sources of capital during fiscal 1997 were from short and long term borrowings, the sale of NetCarta and the sale of common stock. The Company intends to continue to fund existing and future Internet and interactive media investment and development efforts.

The Company received net cash proceeds of $18,468,000 from the sale of NetCarta on January 31, 1997, of which $2 million is being held by an outside escrow agent through February 1998. Prior to the sale of NetCarta, CMG @Ventures had funded an additional $3.8 million to NetCarta during fiscal 1997. Additionally, the Company received proceeds of $550,000 in cash and 320,833 shares of Premiere common stock from the sale of its investment in TeleT in September 1996. The Company is subject to restrictions, which expire in September 1997 and September 2002, on selling 283,333 and 37,500 of the Premiere shares, respectively.

On October 24, 1996, the Company's wholly-owned subsidiary, SalesLink, acquired 100% of the outstanding stock of Pacific Link for a purchase price of $17,000,000. The Company's acquisition of Pacific Link was financed through $3,000,000 from corporate funds, a $5,500,000, five year bank loan, a $7,500,000, three year seller's note, and a $1,000,000 seller's note which was paid in February 1997.

CMG @Ventures L.P. invested a total of $10.8 million in five companies during fiscal year 1997, including an initial investment of $2 million for a 46% ownership interest in Parable, $1.2 million for 153,192 additional shares of Lycos, $3.8 million for additional funding of NetCarta, and follow on investments of $1.8 million in Vicinity and $2 million in GeoCities. The Company's investment in Vicinity was made during the second quarter as part of a $5 million equity round, including outside investors, and reduced the Company's ownership in Vicinity from 47% to 45%. With the repurchase of certain outstanding shares by Vicinity during the fourth quarter of fiscal 1997, CMG @Ventures L.P.'s ownership increased to 53% and the Company began accounting for its investment in Vicinity on the consolidation method of accounting rather than the equity method. The additional investment in GeoCities was made in January 1997 as part of a $9 million equity round, including outside investors, and reduced the Company's ownership in GeoCities from approximately 61% to approximately 41%. This reduction in ownership caused the Company to change its method of accounting for its investment in GeoCities to the equity method rather than the consolidation method beginning in January 1997. In December 1996, the Company's consolidated subsidiary, FreeMark suspended operations of its free email service. Prior to the reduction in the Company's ownership in GeoCities and the suspension of operations at FreeMark, the operating results of GeoCities and FreeMark were consolidated within the operating results of the Company's investment and development segment.

The Company's investments in Parable, GeoCities, Vicinity, NetCarta, FreeMark, Blaxxun, Ikonic, TeleT and Vicinity were made through its majority-owned limited partnership, CMG @Ventures L.P and its wholly-owned subsidiary CMG @Ventures, Inc. The Company owns 100% of the capital interest and has all voting rights, and is entitled to 77.5% of the net capital gains, as defined, of these investments. The remaining 22.5% interest in the net capital gains on these investments are attributed to profit partners, including the President and Chief Executive Officer and the Chief Financial Officer of the Company. The Company is responsible for all operating expenses of CMG @Ventures L.P. and CMG @Ventures, Inc. CMG @Ventures L.P.'s interest in Lycos (consisting of 7,389,248 shares of common stock at July 31, 1997) is subject to further reduction because CMG @Ventures L.P. is obligated, as of July 31, 1997, to sell to Lycos up to a total of 780,804 shares of common stock of Lycos, as necessary, to provide for shares issuable upon exercise of options granted by Lycos under its 1995 stock option plan. Of these 780,804 shares, CMG @Ventures L.P. is obligated to sell 522,680 shares to Lycos at a price of $0.01 per share and 258,124 shares at prices ranging from $0.29 to $9.60 per share.

During fiscal 1997, the Company completed its original commitment of $35 million in capital to its limited partnership subsidiary, CMG @Ventures L.P., and formed a new limited liability company subsidiary, CMG @Ventures II LLC, to continue the Company's model of providing intellectual and financial capital to companies seeking to further the commercialization of the Internet and other interactive media through the development and application of direct marketing products and services. CMG @Ventures II LLC invested a total of $8.3 million in five companies during fiscal year 1997, including initial investments of $1.3 million for a 26% ownership interest in Silknet, $2 million for a 15% interest in KOZ, inc., $1 million for a 9% interest in Softway Systems, $1 million for a 15% interest in Sage Enterprises, $2.3 million for a 31% interest in Reel.com, and $743,000 for a follow on investment in Silknet. The follow on investment in Silknet was part of a $5 million equity round, including outside investors, and reduced the Company's ownership in Silknet from 26% to 23%. The Company owns 100% of the capital interest and has all voting rights, and is entitled to 80%

of the net capital gains, as defined, of the investments made by CMG @Ventures II LLC. The remaining 20% interest in the net capital gains on these investments are attributed to profit partners, including the President and Chief Executive Officer and the Chief Financial Officer of the Company.

During fiscal year 1997, the Company also formed NaviSite to provide Web hosting and Internet server management to companies that depend on the Internet as a critical business tool. CMG has begun funding and intends to provide all required funding for start-up costs of this new venture.

The Company's subsidiary, Lycos, entered into a joint venture agreement with Bertelsmann Internet Services, Gmbh (Bertelsmann) dated as of May 1, 1997, to create Internet navigation centers throughout Eastern and Western Europe. Bertelsmann will provide $5 million in equity capital, and an additional $5 million loan facility to the venture and Lycos will contribute its technology and Internet expertise. Lycos and Bertelsmann will each own a 50% stake in the new venture, named Lycos-Bertelsmann. The venture has commenced operations in Germany, the United Kingdom and France and is expected to establish operations by September in Italy, Belgium, Netherlands, Luxembourg and Spain. Lycos accounts for its investment in this joint venture under the equity method.

During fiscal year 1997, SalesLink secured a $4.5 million revolving credit note agreement with a bank which expires on October 1, 1998. As of July 31, 1997, $2.5 million in borrowings were outstanding under this agreement. On May 14, 1997, CMG entered into a one year revolving credit note agreement with a bank which provides for borrowings up to $10 million. As of July 31, 1997, $10 million in borrowings were outstanding under this agreement. The agreement expires on May 14, 1998. In January 1997, the Company issued a collateralized note payable to a bank for $10 million. The note is collateralized by 784,314 Lycos common shares owned by the Company and the note is payable in full on January 17, 1998. The Company is considering either seeking the renewal of this note, or repaying it using future proceeds from the sale of stock of certain investee companies.

On May 28, 1997, the Company announced a new venture dividend program in connection with the Company's CMG@Ventures Internet investments. Subject to restrictions on transfer, the program envisions that it may distribute up to 10% of the stock held by CMG @Ventures following an initial public offering by any one of the companies in which it holds an investment. The Company may also announce from time to time other stock dividends in connection with its Internet investments. Such dividends are subject to approval of the Company's Board of Directors and subject to holding requirements by regulatory agencies such as the Securities and Exchange Commission. The program may be altered or discontinued at any time at the discretion of the Company. The Company also announced its first dividend under the new program, of one share of Lycos common stock for every sixteen shares of the Company's common stock held by stockholders of record on June 5, 1997. The Company distributed 603,000 shares of Lycos common stock, with a market value of $11,008,000 at the date of distribution, to the Company's stockholders on July 31, 1997 as payment of this dividend. The payment of this dividend reduced the Company's ownership interest in Lycos to 53% as of July 31, 1997.

During the first quarter of fiscal 1997, the Company's Board of Directors authorized the Company to buy back up to 500,000 shares of its common stock. During the first and second quarters of fiscal 1997, 100,000 shares were repurchased at an average cost of $9.84 per share, for a total of $984,000. On January 31, 1997, the Company sold 470,477 shares of its common stock, including the 100,000 treasury shares acquired in fiscal 1997, to Microsoft at a price of $14.50 per share. The shares sold to Microsoft represented 4.9% of the Company's total outstanding shares of common stock following the sale, with proceeds to the Company totaling $6,822,000.

The Company's consolidated capital expenditures were $6,939,000 in fiscal 1997. Concurrent with its growth and the commencement of start-up operations, the Company has experienced a substantial increase in its capital expenditures and operating lease arrangements in fiscal year 1997 and anticipates that this will continue in the future. The Company's accounts receivable, accounts payable and accrued expenses increased $9,203,000, $2,542,000 and $12,186,000, respectively, primarily as a result of the acquisition of Pacific Link and significant growth in several of the Company's subsidiaries in the investment and development segment during fiscal 1997. Costs in excess of net assets of subsidiaries acquired, net of accumulated amortization, in the Company's July 31, 1997 Consolidated Balance Sheet increased $14,644,000 in comparison with July 31, 1996, primarily due to $17,229,000 of goodwill recorded relating to the acquisition of Pacific Link in October 1996, offset by amounts amortized during fiscal 1997.

Of the Company's consolidated cash and available-for-sale securities at July 31, 1997, 64% was held by subsidiaries that are not wholly-owned by the Company. This percentage may vary significantly over time. The Company's ability to access assets held by its majority-owned subsidiaries through dividends, loans, or other transactions is subject in each instance to a fiduciary duty owed to minority shareholders of the relevant subsidiary. In addition, dividends received from a subsidiary that does not consolidate with the Company for tax purposes are subject to tax. Therefore, under certain circumstances, a portion of the Company's consolidated cash and available-for-sale securities may not be readily available to the Company or certain of its subsidiaries.

Subsequent to July 31, 1997, the Company's wholly-owned subsidiary, Engage Technologies, sold certain rights to its Engage.FusionTM and Engage.DiscoverTM products to Red Brick Systems, Inc. (Red Brick) for cash and Red Brick common stock valued at approximately $11.5 million. Also subsequent to July 31, 1997, the Company exercised options to purchase additional Lycos shares and filed with the SEC on Form 144 to sell up to 300,000 shares of Lycos stock on the open market. The Company exercised 96,000 Lycos options for an investment of

$192,000 and sold 219,900 of its shares of Lycos common stock for total proceeds of $7.1 million in September and October 1997. Through the subsequent sale of Lycos shares, the Company's ownership percentage in Lycos was reduced from 53% at July 31, 1997, to just in excess of 50% in October 1997.

During the first quarter of fiscal 1998, the Company also sold 224,795 shares of Premiere common stock for total proceeds of $7.6 million.

The Company believes that existing working capital, available borrowings under revolving credit note agreements, proceeds from Engage's sale of certain rights to two of its products to Red Brick Systems subsequent to July 31, 1997, proceeds from the sale of Lycos and Premiere stock subsequent to July 31, 1997, and additional Lycos shares which could be sold or posted as collateral for additional loans, will be sufficient to fund its operations, investments and capital expenditures for the foreseeable future. Should additional capital be needed to fund future investment and acquisition activity, the Company may seek to raise additional capital through public or private offerings of the Company's or its subsidiaries' stock, or through debt financings. Further, the Company continues to see a strong flow of strategic opportunities that fit within its investment and development business model and expects to seek to secure additional financing commitments from third parties to pursue additional investment opportunities in the future.

RISK FACTORS THAT MAY AFFECT FUTURE RESULTS

The Company operates in a rapidly changing environment that involves a number of risks, some of which are beyond the Company's control. Forward-looking statements in this document and those made from time to time by the Company through its senior management are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements concerning the expected future revenues or earnings or concerning projected plans, performance, product development, product release or product shipment, as well as other estimates related to future operations are necessarily only estimates of future results and there can be no assurance that actual results will not materially differ from expectations. The Company undertakes no obligation to publicly release the results of any revisions to forward-looking statements which may be made to reflect events or circumstances occurring after the date such statements were made or to reflect the occurrence of unanticipated events.

Factors that could cause actual results to differ materially from results anticipated in forward-looking statements include, but are not limited to the following:

- The development of the Internet, the level of usage of the Internet, future acceptance of the Company's Internet related products and services, demand for Internet advertising, the introduction of new products and services by the Company and its affiliates or its competitors and potential expense increases associated with the Company's investments at the early stages of development may materially affect the Company's operations. As a result, the Company's mix of services and products may undergo substantial changes as the Company reacts to competitive and other developments in the overall Internet market. If widespread commercial use of the Internet does not develop, or if the Internet does not develop as an effective advertising medium, the Company's business, results of operations and financial condition will be materially adversely affected.

- The Company's business model envisions additional opportunities to realize value through gains on its strategic investment and development activities over the next few years. Historically, such gains have been substantial in certain periods. Additionally, the Company's business model envisions potentially leveraging its investment in present and future Internet development opportunities through public and private placement of portions of such investments with outside investors. The size and timing of these transactions are dependent on market and other conditions that are beyond the Company's control. Accordingly, there can be no assurance that the Company will be able to generate gains from such transactions in the future. These same factors, along with potential restrictions from regulatory agencies, such as holding requirements by the Securities and Exchange Commission, could also effect the Company's ability to provide future distributions under its venture dividend program.

- The Company has made and continues to make numerous early-stage investments in companies with little or no revenues, and has realized several significant gains through the selective sale or distribution of investments or, as in the case of Lycos, selling minority interests through initial public offering of stock. For these reasons, the Company's operating results have varied significantly from quarter to quarter, and are likely to continue to do so. In addition, the Company's operating results may vary significantly from quarter to quarter as a result of several other factors, including but not limited to: the timing of new product announcements and introductions by the companies in which CMG has invested or will invest, or their competitors, market acceptance of the Company's products or services, and changes in the product mix of sales. All of the above factors can materially adversely affect the Company's business and operating results for one quarter or a series of quarters, and are difficult to forecast.

- Along with its investment and development segment, the Company's lists and database services and fulfillment services segments are subject to industry related risks, including continued acceptance of the Company's products and services, the introduction of new products and services by the Company or its competitors, changes in the mix of services sold and the channels through which those services are sold, product pricing and changes, general economic conditions and specific economic conditions in the direct marketing and Internet industries.

. During fiscal year 1997 a significant portion of the Company's revenues were derived from a limited number of customers, including Cisco Systems, Inc. (Cisco), which accounted for 24% of total revenues and 47% of fulfillment services segment fiscal year 1997 revenues. While the Company is actively pursuing increasing the number of fulfillment services customers, the Company believes that its dependence on Cisco will continue. This concentration of customers may cause net sales and operating results to fluctuate from quarter to quarter based on Cisco's requirements and the timing of their orders and shipments. The Company does not have agreements in place with Cisco to ensure minimum purchase commitments or exclusivity for purchase of a particular product or service. The Company's operating results could be materially affected if Cisco were to choose to reduce its level of orders, were to change to another vendor, were to experience financial, operational, or other difficulties, or were to delay paying or fail to pay amounts due to the Company.

Exhibit 13.3

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	July 31, 1997	July 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 59,762	$ 63,387
Available-for-sale securities	5,945	13,069
Accounts receivable, trade, less allowance for doubtful accounts of $1,083 and $442 in 1997 and 1996	19,869	10,666
License fees receivable	9,066	1,032
Prepaid expenses	6,174	2,199
Other current assets	5,875	213
Total current assets	106,691	90,566
Property and equipment	20,091	14,657
Less accumulated depreciation and amortization	8,947	6,196
Net property and equipment	11,144	8,461
Investments in affiliates	9,160	4,073
Costs in excess of net assets of subsidiaries acquired, net of accumulated amortization of $1,420 in 1997 and $718 in 1996	17,109	2,299
Other assets	4,250	4,104
	$148,354	$109,503
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 22,494	$ --
Current installments of long-term debt	3,221	--
Accounts payable	9,959	7,251
Accrued expenses	18,341	6,245
Deferred revenues	13,680	4,620
Other current liabilities	442	441
Total current liabilities	68,137	18,557
Long-term debt, less current installments	9,550	--
Long-term deferred revenues	5,100	--
Deferred income taxes	8,481	9,122
Other long-term liabilities	2,119	555
Minority interest	25,519	27,277
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value per share. Authorized 5,000,000 shares; none issued	--	--
Common stock, $.01 par value per share. Authorized 40,000,000 shares; issued and outstanding 9,659,543 shares at July 31,1997 and 9,166,747 shares at July 31, 1996	97	92
Additional paid-in capital	16,879	9,243
Net unrealized gain on available-for-sale securities	852	--
Retained earnings	11,620	44,657
Total stockholders' equity	29,448	53,992
	$148,354	$109,503

see accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Years ended July 31, 1997	1996	1995
Net revenues	$ 70,607	$ 28,485	$22,293
Operating expenses:			
Cost of revenues	42,152	17,909	13,014
Research and development	25,058	6,971	--
In-process research and development	1,312	2,691	--
Selling	37,583	11,666	3,025
General and administrative	17,611	9,822	3,362
Total operating expenses	123,716	49,059	19,401
Operating income (loss)	(53,109)	(20,574)	2,892
Other income (deductions):			
Interest income	3,368	2,750	248
Interest expense	(1,619)	(59)	(23)
Gain on sale of investment in TeleT Communications	3,616	--	--
Gain on sale of NetCarta Corporation	15,111	--	--
Gain on dividend distribution of Lycos, Inc. common stock	8,413	--	--
Gain on sale of available-for-sale securities	--	30,049	4,781
Gain on issuance of stock by subsidiary	--	19,575	--
Equity in losses of affiliates	(5,556)	(2,915)	(306)
Minority interest	4,787	2,169	14
	28,120	51,569	4,714
Income (loss) from continuing operations before income taxes	(24,989)	30,995	7,606
Income tax expense (benefit)	(2,962)	16,673	2,844
Income (loss) from continuing operations	(22,027)	14,322	4,762
Discontinued operations, net of income taxes:			
Loss from operations of BookLink Technologies, Inc.	--	--	(690)
Gain on disposal of BookLink Technologies, Inc.	--	--	24,143
Net income (loss)	$(22,027)	$ 14,322	$28,215
Primary earnings (loss) per share:			
Income (loss) from continuing operations	$(2.34)	$ 1.48	$ 0.51
Loss from discontinued operations of BookLink Technologies, Inc.	--	--	(0.07)
Gain on disposal of BookLink Technologies, Inc.	--	--	2.56
Net income (loss)	$(2.34)	$ 1.48	$ 3.00
Fully diluted earnings (loss) per share:			
Income (loss) from continuing operations	$(2.34)	$ 1.45	$ 0.49
Loss from discontinued operations of BookLink Technologies, Inc.	--	--	(0.07)
Gain on disposal of BookLink Technologies, Inc.	--	--	2.48
Net income (loss)	$(2.34)	$ 1.45	$ 2.90
Weighted average shares outstanding:			
Primary	9,429	9,682	9,391
Fully diluted	9,429	9,898	9,744

see accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share amounts)

	Common stock	Additional paid-in capital	Net unrealized gain on available-for-sale securities	Retained earnings	Treasury stock
Balance at July 31, 1994 (8,766,714 shares)	$88	$ 6,773	$ --	$ 2,120	$ --
Net income	--	--	--	28,215	--
Net unrealized gain on available-for-sale securities	--	--	18,005	--	--
Issuance of common stock (72,006 shares)	--	103	--	--	--
Tax benefit of stock option exercises	--	186	--	--	--
Decrease in related party receivable	--	--	--	--	--
Balance at July 31, 1995 (8,838,720 shares)	88	7,062	18,005	30,335	--
Net income	--	--	--	14,322	--
Issuance of common stock (328,027 shares)	4	367	--	--	--
Tax benefit of stock option exercises	--	695	--	--	--
Effect of subsidiaries' equity transactions	--	1,119	--	--	--
Sale of available-for-sale securities	--	--	(18,005)	--	--
Balance at July 31, 1996 (9,166,747 shares)	92	9,243	--	44,657	--
Net loss	--	--	--	(22,027)	--
Dividend of Lycos, Inc. common stock	--	--	--	(11,010)	--
Net unrealized gain on available-for-sale securities	--	--	852	--	--
Purchase of treasury stock (100,000 shares)	--	--	--	--	(984)
Issuance of common stock (592,796 shares)	5	7,181	--	--	984
Tax benefit of stock option exercises	--	277	--	--	--
Effect of subsidiaries' equity transactions	--	178	--	--	--
Balance at July 31, 1997 (9,659,543 shares)	$97	$16,879	$ 852	$ 11,620	$ --

	Related party receivable	Total stockholders' equity
Balance at July 31, 1994 (8,766,714 shares)	$(114)	$ 8,867
Net income	--	28,215
Net unrealized gain on available-for-sale securities	--	18,005
Issuance of common stock (72,006 shares)	--	103
Tax benefit of stock option exercises	--	186
Decrease in related party receivable	114	114
Balance at July 31, 1995 (8,838,720 shares)	--	55,490
Net income	--	14,322
Issuance of common stock (328,027 shares)	--	371
Tax benefit of stock option exercises	--	695
Effect of subsidiaries' equity transactions	--	1,119
Sale of available-for-sale securities	--	(18,005)
Balance at July 31, 1996 (9,166,747 shares)	--	53,992
Net loss	--	(22,027)
Dividend of Lycos, Inc. common stock	--	(11,010)
Net unrealized gain on available-for-sale securities	--	852
Purchase of treasury stock (100,000 shares)	--	(984)
Issuance of common stock (592,796 shares)	--	8,170
Tax benefit of stock option exercises	--	277

Effect of subsidiaries' equity transactions	--	178
Balance at July 31, 1997 (9,659,543 shares)	$ --	$ 29,448

see accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years ended July 31, 1997	1996	1995
Cash flows from operating activities:			
Income (loss) from continuing operations	$(22,027)	$ 14,322	$ 4,762
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used for) continuing operations:			
Depreciation and amortization	5,307	2,823	896
Deferred income taxes	(871)	8,283	(92)
Gain on sale of investment in TeleT Communications	(3,616)	--	--
Gain on sale of NetCarta Corporation	(15,111)	--	--
Gain on dividend distribution of Lycos, Inc. common stock	(8,413)	--	--
Gain on sale of available-for-sale securities	--	(30,049)	(4,781)
Gain on issuance of stock by subsidiary	--	(19,575)	--
Equity in losses of affiliates	5,556	2,915	306
Minority interest	(4,787)	(2,169)	(14)
In-process research and development	1,312	2,691	--
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures:			
Trade accounts and license fees receivable	(11,963)	(7,269)	314
Prepaid expenses and other current assets	(6,436)	(1,762)	(54)
Accounts payable and accrued expenses	10,039	8,232	564
Deferred revenues	12,866	4,595	--
Refundable and accrued income taxes, net	(3,157)	12,876	(444)
Other assets and liabilities	(352)	(685)	(78)
Net cash provided by (used for) continuing operations	(41,653)	(4,772)	1,379
Net cash used for discontinued operations	--	--	(589)
Net cash provided by (used for) operating activities	(41,653)	(4,772)	790
Cash flows from investing activities:			
Net decrease in related party receivable	--	--	114
Additions to property and equipment	(6,939)	(7,068)	(1,474)
Payments related to disposal of BookLink Technologies, Inc.	--	--	(650)
Income taxes paid related to disposal of BookLink Technologies, Inc. and available-for-sale securities	--	(20,554)	(3,846)
Proceeds from sale or maturities of available-for-sale securities	13,069	69,918	15,531
Purchase of available-for-sale securities	--	(25,526)	--
Investments in affiliates and acquisitions of subsidiaries	(25,825)	(9,892)	(3,006)
Proceeds from sales of NetCarta Corporation and investment in TeleT Communications	19,018	--	--
Cash acquired through acquisitions of subsidiaries	2,259	3,882	--
Other, net	(734)	(67)	(966)
Net cash provided by investing activities	848	10,693	5,703
Cash flows from financing activities:			
Proceeds from issuance of notes payable and long-term debt	29,130	--	--
Repayments of long-term debt	(1,230)	--	--
Sale of common and treasury stock	8,170	371	128
Purchase of treasury stock	(984)	--	--
Net proceeds from issuance of stock by subsidiaries	--	48,058	--
Other	2,094	(386)	(153)
Net cash provided by (used for) financing activities	37,180	48,043	(25)
Net increase (decrease) in cash and cash equivalents	(3,625)	53,964	6,468
Cash and cash equivalents at beginning of year	63,387	9,423	2,955
Cash and cash equivalents at end of year	$ 59,762	$ 63,387	$ 9,423

see accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED

FINANCIAL STATEMENTS

(1) Nature of Operations

CMG Information Services, Inc. (the Company) is a direct marketing service provider that invests in, develops and integrates advanced, Internet, interactive, and database management technologies. CMG and its subsidiaries offer their clients a wide variety of direct marketing opportunities to choose from, including: Internet and interactive media direct marketing software technologies, product and literature fulfillment and turnkey outsourcing, sales lead/ inquiry management, business-to-business telemarketing services, highly segmented and accurate mailing lists, database management, design and development capabilities, consultative list management and brokerage services. The Company is advancing products and services that will both create and profit from direct marketing opportunities on the Internet.

(2) Summary of Significant Accounting Policies
(a) Principles of Consolidation and Presentation

The consolidated financial statements of the Company include its wholly-owned and majority-owned subsidiaries, Engage Technologies, Inc. (Engage Technologies, formerly CMG Direct Interactive, Inc.), CMG Direct Corporation, SalesLink Corporation (SalesLink), CMG @Ventures, Inc., CMG @Ventures, L.P., CMG @Ventures Capital Corporation, CMG Securities Corporation, CMG @Ventures II LLC, Lycos, Inc. (Lycos), Blaxxun Interactive, Inc. (Blaxxun, formerly Black Sun Interactive, Inc.), ADSmart Corporation, InfoMation Publishing Corporation, Planet Direct Corporation, Navisite Internet Services Corporation, and Vicinity Corporation (Vicinity). Lycos is a majority-owned public subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company accounts for investments in businesses in which it owns between 20% and 50% using the equity method and accounts for investments in which it owns less than 20% at original cost. Certain amounts for prior periods have been reclassified to conform with current year presentations. Financial information related to BookLink Technologies, Inc. (BookLink) in fiscal 1995 has been presented as discontinued operations (see note 5).

(b) Revenue Recognition

Revenue from the sale of mailing lists is recognized when the mailing labels are shipped. Revenue for services is recognized upon completion of the service.

The Company's advertising revenues are derived principally from short-term Internet advertising contracts in which the Company guarantees a minimum number of impressions for a fixed fee or on a per-impression basis with an established minimum fee. Revenues from advertising are recognized as the services are performed.

The Company's license and product revenues are derived principally from product licensing fees and fees from maintenance and support of its products. License and product revenues are generally recognized upon delivery provided that no significant Company obligations remain and collection of the receivable is probable. In cases where there are significant remaining obligations, the Company defers such revenue until those obligations are satisfied. Fees from maintenance and support of the Company's products, including those fees bundled with the initial licensing fees, are deferred and recognized ratably over the service period.

(c) Gain on Issuances of Stock by Subsidiaries

At the time a subsidiary sells its stock to unrelated parties at a price in excess of its book value, the Company's net investment in that subsidiary increases. If at that time, the subsidiary is an operating entity and not engaged principally in research and development, the Company records the increase as a gain in its Consolidated Statements of Operations. Otherwise, the increase is reflected in "effect of subsidiaries' equity transactions" in the Company's Consolidated Statements of Stockholders' Equity.

If gains have been recognized on issuances of a subsidiary's stock and shares of the subsidiary are subsequently repurchased by the subsidiary or by the Company, gain recognition does not occur on issuances subsequent to the date of a repurchase until such time as shares have been issued in an amount equivalent to the number of repurchased shares. Such transactions are reflected as equity transactions, and the net effect of these transactions is reflected in the Consolidated Statements of Stockholders' Equity.

(d) Cash Equivalents and Statement of Cash Flows Supplemental Information
Highly liquid investments with maturities of three months or less at the time of acquisition are considered cash equivalents.

Net cash provided by (used for) operating and investing activities reflects cash payments for interest and income taxes as follows:

	Year ended July 31,		
	1997	1996	1995
Interest	$1,429,000	$ 26,000	$ 23,000
Income taxes	$1,856,000	$16,069,000	$6,753,000

During fiscal year 1997, significant non-cash investing activities included the sale of the Company's equity interest in TeleT Communications, LLC (TeleT) in exchange for available-for-sale securities in addition to $550,000 in cash (see note 10) and the acquisition of one subsidiary, Pacific Link, for consideration which included $7.5 million financed through a seller's note (see note 7). Significant non-cash financing activities in fiscal 1997 consisted of the dividend distribution of 603,000 shares of Lycos stock to CMG shareholders (see note 15). During fiscal year 1996, in a non-cash investing transaction, the Company's consolidated subsidiary, Lycos, acquired Point Communications Corporation (Point) in exchange for 526,316 shares of Lycos stock. During fiscal year 1995, significant non-cash investing transactions included the sale of BookLink in exchange for available-for-sale securities (see note 5) and the acquisition of one subsidiary, NetCarta Corporation (NetCarta), in exchange for notes payable (see note 8).

NOTES TO CONSOLIDATED

FINANCIAL STATEMENTS (CONT'D.)

(e) Fair Value of Financial Instruments

The carrying value for cash and cash equivalents, accounts receivable, accounts payable and notes payable, approximates fair value because of the short maturity of these instruments. The carrying value of long-term debt approximates its fair value, as estimated by using discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

(f) Marketable Securities

The Company determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. Marketable securities have been classified as available-for-sale and are carried at fair value, based on quoted market prices, net of market value discount to reflect any restrictions on transferability, with unrealized gains and losses reported as a separate component of stockholders' equity.

(g) Accounting for Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No.121, the Company assesses the need to record impairment losses on long-lived assets used in operations when indicators of impairment are present. On an on-going basis, management reviews the value and period of amortization or depreciation of long-lived assets, including costs in excess of net assets of subsidiaries acquired. During this review, the Company reevaluates the significant assumptions used in determining the original cost of long-lived assets. Although the assumptions may vary from transaction to transaction, they generally include revenue growth, operating results, cash flows and other indicators of value. Management then determines whether there has been a permanent impairment of the value of long-lived assets based upon events or circumstances which have occurred since acquisition.

(h) License Fees Receivable

License fees receivable are comprised of fees to be earned over the next one to three years on license agreements existing at the balance sheet date.

(i) Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization is provided on the straight-line basis over the estimated useful lives of the respective assets (three to seven years). Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful life of the asset or the lease term.

Maintenance and repairs are charged to operating expenses as incurred. Major renewals and betterments are added to property and equipment accounts at cost.

(j) Investments in Affiliates

The Company's investments in affiliated companies for which its ownership exceeds 20%, but which are not majority-owned or controlled, are accounted for using the equity method. Under the equity method, the Company's proportionate share of each affiliate's net income or loss and amortization of the Company's excess investment over its equity in each affiliate's net assets is included in "equity in losses of affiliates". The unamortized excess of the Company's investments in affiliates which are accounted for under the equity method, over its equity in the underlying net assets of those affiliates at the date of investment was $1,227,000 and $2,847,000 at July 31, 1997 and 1996, respectively. Amortization is recorded on a straight-line basis over periods ranging from five to ten years.

(k) Costs in Excess of Net Assets of Subsidiaries Acquired

The costs in excess of net assets of subsidiaries acquired (goodwill) are principally being amortized over periods expected to be benefited, ranging from five to twenty years.

(l) Deferred Revenues

Deferred revenues are comprised of license fees to be earned in the future on license agreements existing at the balance sheet date and billings in excess of earnings on both license and advertising contracts.

(m) Research and Development Costs and Software Costs

Expenditures related to the development of new products and processes, including significant improvements and refinements to existing products and the development of software, are expensed as incurred, unless they are required to be capitalized. Software development costs are required to be capitalized when a product's technological feasibility has been established by completion of a detailed program design or working model of the product, and ending when a product is available for general release to customers. To date, the establishment of technological feasibility and general release have substantially coincided. As a result, capitalized software development costs have not been significant. Additionally, at the date of acquisition or investment, the Company evaluates the components of the purchase price of each acquisition or investment to identify amounts allocated to in-process research and development. Upon completion of acquisition accounting and valuation (based

on independent appraisals), such amounts are charged to expense if technological feasibility had not been reached at the acquisition date.

(n) Accounting for Income Taxes

Income taxes are accounted for under the asset and liability method whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax

assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(o) Earnings Per Share

Earnings per share is computed based on the weighted average number of common shares outstanding during each period, after giving effect to stock options considered to be dilutive common stock equivalents.

(p) Stock-based Compensation Plans

The Company has adopted SFAS No. 123, "Accounting for Stock-based Compensation." As permitted by SFAS No. 123, the Company measures compensation cost in accordance with Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, no accounting recognition is given to stock options granted at fair market value until they are exercised. Upon exercise, net proceeds, including tax benefits realized, are credited to equity. Therefore, the adoption of SFAS No. 123 was not material to the Company's financial condition or results of operations; however, the pro forma impact on earnings per share has been disclosed in the Notes to Consolidated Financial Statements as required by SFAS No. 123 (see note 16).

(q) Use of Estimates

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

(r) Diversification of Risk

Sales to one customer, Cisco Systems, Inc. (Cisco), accounted for 24% of total revenues and 47% of fulfillment services segment revenues for fiscal year 1997. Accounts receivable from this customer amounted to approximately 14% of total trade accounts receivable at July 31, 1997. The Company's products and services are provided to customers primarily in North America.

Financial instruments which potentially subject the Company to concentrations of credit risk are cash equivalents, available-for-sale securities, and accounts receivable. The Company's cash equivalent investment portfolio is diversified and consists primarily of short-term investment grade securities. To reduce risk, the Company performs ongoing credit evaluations of its customers' financial conditions and generally does not require collateral on accounts receivable. The Company has not incurred any material write-offs related to its accounts receivable. A substantial portion of the Company's available-for-sale securities were sold subsequent to July 31, 1997 (see note 20).

The Company enters into interest rate swap and cap agreements to reduce the impact of changes in interest rates on its floating rate debt. The swap agreements are contracts to exchange floating rate for fixed interest payments periodically over the life of the agreements without the exchange of the underlying notional amounts. The notional amounts of interest rate agreements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The differential paid or received on interest rate agreements is recognized as an adjustment to interest expense.

(s) New Accounting Pronouncement

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings per Share", which establishes and simplifies standards for computing and presenting earnings per share. SFAS No. 128 replaces primary and fully diluted earnings per share with basic and diluted earnings per share. SFAS No. 128 will be effective for the Company's second quarter of fiscal 1998, and requires restatement of all previously reported earnings per share data that are presented. Early adoption of this statement is not permitted. The Company has not yet evaluated the impact of adopting SFAS No. 128.

(3) Segment Information

The Company's continuing operations have been classified in three primary business segments, (i) investment and development, (ii) fulfillment services, and (iii) lists and database services. Investment and development is a business segment formed during the third quarter of fiscal year 1995 to focus on strategic investment and development opportunities afforded by the Internet and interactive media markets. Fulfillment services include product and literature fulfillment and turnkey outsourcing, telemarketing, and sales/lead inquiry management. Lists and database services, which has historically included customer and prospect list databases and list services, began increasing its database capacity during fiscal 1996, positioning itself to serve additional markets, including database opportunities afforded by the Internet. Corporate and other includes available-for-sale securities and certain cash equivalents which are not identifiable to the operations of the Company's primary business segments.

During fiscal year 1997, one significant customer accounted for approximately 47% of net revenues in the fulfillment services segment. Previously, three customers individually accounted for 15%, 15% and 13% of fulfillment services segment net revenues in fiscal 1996 and 19%, 19% and 12% of segment net revenues in fiscal 1995. During fiscal years ended July 31, 1997, 1996 and 1995, one significant customer accounted for approximately 12%, 13% and 14%, respectively, of net revenues in the lists and database services segment. Summarized financial information by business segment for the fiscal years ended July 31, 1997, 1996 and 1995 is as follows:

	Years Ended July 31,		
	1997	1996	1995
Net revenues:			
Investment and development	$ 23,917,000	$ 5,665,000	$ 5,000
Fulfillment services	36,139,000	12,070,000	11,086,000
Lists and database services	10,551,000	10,750,000	11,202,000
	$ 70,607,000	$ 28,485,000	$22,293,000
Operating income (loss):			
Investment and development	$(45,250,000)	$(19,961,000)	$ (645,000)
Fulfillment services	4,330,000	1,566,000	1,755,000
Lists and database services	(12,189,000)	(2,179,000)	1,782,000
	$(53,109,000)	$(20,574,000)	$ 2,892,000
Total assets:			
Investment and development	$ 87,626,000	$ 68,256,000	$5,243,000
Fulfillment services	32,734,000	6,366,000	4,314,000
Lists and database services	10,317,000	8,338,000	10,424,000
Corporate and other	17,677,000	26,543,000	60,505,000
	$148,354,000	$109,503,000	$80,486,000
Capital expenditures:			
Investment and development	$ 3,620,000	$ 3,053,000	$ 188,000
Fulfillment services	1,048,000	791,000	794,000
Lists and database services	2,271,000	3,224,000	492,000
	$ 6,939,000	$ 7,068,000	$ 1,474,000
Depreciation and amortization:			
Investment and development	$ 2,321,000	$ 1,467,000	$ 24,000
Fulfillment services	1,623,000	450,000	326,000
Lists and database services	1,363,000	906,000	546,000
	$ 5,307,000	$ 2,823,000	$ 896,000

(4) Available-for-Sale Securities

At July 31, 1997, available-for-sale securities consist of 283,333 shares of Premiere Technologies, Inc. (Premiere) common stock carried at fair value, based on quoted market prices, net of market value discount to reflect an average one-year restriction on transferability through September 19, 1997. An $852,000 unrealized gain, based on the change in the market value of the stock from date of acquisition to July 31, 1997, is presented in the equity section of the July 31, 1997 Consolidated Balance Sheet, net of deferred income taxes.

At July 31, 1996, available-for-sale securities consisted of U.S. Government agency obligations, carried at fair value, which the Company did not hold to maturity. The fair value of each investment at July 31,1996 approximated its amortized cost.

At July 31, 1995, available-for-sale securities included 1,020,000 shares of America Online (AOL) stock. An $18,005,000 unrealized gain, based on the change in market value of the stock from date of acquisition to July 31, 1995, is presented as a component of equity as of July 31, 1995 in the Company's Consolidated Statements of Stockholders' Equity, net of deferred income taxes. During fiscal 1996, the Company sold 1,020,000 shares of AOL stock. The net proceeds from the sale were $57,462,000 and the Company realized a gain on the

sale of $30,049,000. During fiscal 1995, the Company sold 400,000 shares of AOL stock. The net proceeds from the sale were $15,531,000. The Company realized a gain on the sale of $4,781,000.

(5) Discontinued Operations

On November 8, 1994, the Company entered into a definitive agreement to sell all outstanding stock of its wholly-owned subsidiary, BookLink to AOL for $30,000,000 of AOL common stock. The Company closed the transaction on December 23, 1994 by exchanging all of the outstanding shares of BookLink common stock for 1,420,000 shares (adjusted to reflect a 2-for-1 stock split) of AOL common stock. Discontinued operations reflect a loss from BookLink operations and a gain on disposal of $24,143,000, net of income taxes of $13,144,000, in fiscal 1995. The market value of the AOL stock on the date of closing was $38,163,000, and deferred income taxes of $13,144,000 were provided as part of the transaction.

The Company's consolidated financial statements for fiscal year 1995 reflect the results of BookLink as discontinued operations. Accordingly, the net results of BookLink's operations have been reflected as loss from discontinued operations in the Consolidated Statements of Operations. BookLink's fiscal 1995 results of operations included sales, loss before income taxes and income tax benefit of $100,000, $(1,149,000) and $459,000, respectively.

(6) Property and Equipment
Property and equipment consists of the following:

	July 31, 1997	1996
Machinery and equipment	$10,609,000	$ 8,344,000
Software	3,693,000	2,871,000
Office furniture and equipment	2,485,000	1,592,000
Leasehold improvements	2,646,000	953,000
Other equipment	658,000	897,000
	$20,091,000	$14,657,000

(7) Acquisition of Pacific Link

On October 24, 1996, the Company's fulfillment services subsidiary, SalesLink, acquired Pacific Link, a company specializing in high technology product and literature fulfillment and turnkey outsourcing. The consideration for the acquisition was $17 million, $8.5 million of which was paid in cash at the date of acquisition, $1 million of which SalesLink paid (along with interest at the annual rate of 7%) in February 1997, and the remaining $7.5 million of which was financed through a seller's note (see note 13). The sources of the cash portion of the purchase price were $3 million from corporate funds provided by the Company to SalesLink for the acquisition and $5.5 million from a bank loan (see note 13). Additional purchase price of up to $1 million could be paid if certain future performance goals are met.

The acquisition of Pacific Link has been accounted for using the purchase method of accounting, and, accordingly, the purchase price has been allocated to the assets purchased and the liabilities assumed based upon their fair values at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired was $17.2 million and has been recorded as goodwill, which will be amortized on a straight line basis over 15 years.

The net purchase price was allocated as follows:

Working capital	$(1,204,000)
Property, plant and equipment	713,000
Other assets	385,000
Goodwill	17,229,000
Other long-term liabilities	(123,000)
Purchase price	$17,000,000

The following unaudited pro forma financial information presents the consolidated operations of the Company and Pacific Link as if the acquisition had occurred as of the beginning of fiscal 1997 and 1996, after giving effect to certain adjustments including increased amortization of goodwill related to the acquisition, increased interest expense related to long-term debt issued in conjunction with the acquisition and decreased compensation for certain officers to reflect contractual post-acquisition compensation. The unaudited pro forma financial information are provided for informational purposes only and should not be construed to be indicative of the Company's consolidated results of operations had the acquisition been consummated on the dates assumed and do not project the Company's results of operations for any future period:

	Year ended July 31, 1997	1996
Net revenues	$ 77,274,000	$45,125,000
Net income (loss)	$(22,153,000)	$13,699,000
Primary earnings (loss) per share	$ (2.35)	$ 1.41

(8) CMG @Ventures Investments

During fiscal year 1995, the Company, through its subsidiary limited partnership, CMG @Ventures, L.P. , formed and incorporated Lycos, capitalizing it with an initial $1 million. CMG @Ventures L.P. then purchased, for $500,000

and 20% of Lycos, Inc. stock, an exclusive license to the Lycos software technology from Carnegie Mellon University. During fiscal year 1995, CMG @Ventures L.P. also invested $1,750,000 for an initial 44% ownership interest in FreeMark Communications, Inc. (FreeMark) and $1,256,000 for a 19.8% interest in Ikonic Interactive, Inc. (Ikonic). Beginning with its initial investments, the Company began accounting for FreeMark under the equity method of accounting and Ikonic under the cost method of accounting. Also, during fiscal year 1995, CMG @Ventures acquired NetCarta for $773,000. The acquisition of NetCarta was primarily funded through term notes and was accounted for using the purchase method. Accordingly, the purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values.

During fiscal year 1996, the Company, through CMG @Ventures L.P., invested $19.2 million in eight companies, including initial investments of $2 million for a 45% interest in Vicinity, $750,000 for a 46% interest in TeleT Communications LLC (TeleT), and $1 million for an initial 45% interest in GeoCities. Fiscal 1996 investments also included start-up funding of $4 million for Blaxxun, additional funding of $4.5 million to NetCarta and $1 million to Lycos, and participation in follow-on round funding for Ikonic, FreeMark and GeoCities. With its initial investments in Vicinity, TeleT and GeoCities in fiscal 1996, the Company began accounting for such investments under the equity method of accounting. In December 1995, CMG @Ventures L.P. invested $1,750,000 to increase its ownership in Ikonic from 19.8% to 37%. With its increase in ownership in Ikonic, the Company began using the equity method of accounting, rather than the cost method, for its investment in Ikonic. CMG@Ventures' $1 million follow-on investment in GeoCities in June 1996 increased the Company's ownership to 61%. Also in June 1996, FreeMark successfully completed a $5.1 million equity financing. Pursuant to this transaction, CMG@Ventures L.P. invested an

additional $3.2 million in FreeMark, including the conversion of $1,670,000 of notes which had been funded to FreeMark during fiscal 1996, and increased its ownership from 44% to 54%. Beginning in June 1996, when controlling interests were acquired, the Company, accordingly, began consolidating the operating results of GeoCities and FreeMark in the Company's consolidated operating results.

CMG @Ventures L.P. invested a total of $10.8 million in five companies during fiscal year 1997, including an initial investment of $2 million for a 46% ownership interest in Parable LLC (Parable), $1.2 million for 153,192 additional shares of Lycos, $3.8 million for additional funding of NetCarta, and follow-on investments of $1.8 million in Vicinity and $2 million in GeoCities. With its initial investment in fiscal 1997, the Company began accounting for its investment in Parable under the equity method of accounting. The Company's investment in Vicinity was made during the second quarter as part of a $5 million equity round, including outside investors, and reduced the Company's ownership in Vicinity from 47% to 45%. With the repurchase of certain outstanding shares by Vicinity during the fourth quarter of fiscal 1997, CMG @Ventures L.P.'s ownership increased to 53% and the Company began accounting for its investment in Vicinity on the consolidation method of accounting rather than the equity method. The follow-on investment in GeoCities was made in January 1997 as part of a $9 million equity round, including outside investors, and reduced the Company's ownership in GeoCities from 61% to 41%. This reduction in ownership caused the Company to change its method of accounting for its investment in GeoCities to the equity method rather than the consolidation method beginning in January 1997. In December 1996, the Company's consolidated subsidiary, FreeMark, suspended operations of its free email service. Prior to the reduction in the Company's ownership in GeoCities and the suspension of operations at FreeMark, the operating results of GeoCities and FreeMark were consolidated within the operating results of the Company's investment and development segment.

The Company's investments in Parable, GeoCities, Vicinity, NetCarta, FreeMark, Blaxxun, Ikonic, TeleT and Vicinity were made through its majority-owned limited partnership, CMG @Ventures L.P and its wholly-owned subsidiary, CMG @Ventures, Inc. The Company owns 100% of the capital interest and has all voting rights, and is entitled to 77.5% of the net capital gains, as defined, of these investments. The remaining 22.5% interest in the net capital gains on these investments are attributed to profit partners, including the President and Chief Executive Officer and the Chief Financial Officer of the Company. The Company is responsible for all operating expenses of CMG @Ventures L.P. and CMG @Ventures, Inc. CMG @Ventures L.P.'s interest in Lycos (consisting of 7,389,248 shares of common stock at July 31, 1997) is subject to further reduction because CMG @Ventures L.P. is obligated, as of July 31, 1997, to sell to Lycos up to a total of 780,804 shares of common stock of Lycos, as necessary, to provide for shares issuable upon exercise of options granted by Lycos under its 1995 stock option plan. Of these 780,804 shares, CMG @Ventures L.P. is obligated to sell 522,680 shares to Lycos at a price of $0.01 per share and 258,124 shares at prices ranging from $0.29 to $9.60 per share.

During fiscal 1997, the Company completed its minimum commitment of $35 million in capital to CMG @Ventures L.P., and formed a new limited liability company subsidiary, CMG @Ventures II LLC, to continue the Company's model of providing intellectual and financial capital to companies seeking to further the commercialization of the Internet and other interactive media through the development and application of direct marketing products and services. The Company owns 100% of the capital interest and has all voting rights, and is entitled to 80% of the net capital gains, as defined, of the investments made by CMG @Ventures II LLC. The remaining 20% interest in the net capital gains on these investments are attributed to profit partners, including the President and Chief Executive Officer and the Chief Financial Officer of the Company. CMG @Ventures II LLC invested a total of $8.3 million in five companies during fiscal year 1997, including initial investments of $1.3 million for a 26% ownership interest in Silknet Software, Inc. (Silknet), $2 million for a 15% interest in KOZ, inc., $1 million for a 9% interest in Softway Systems, Inc. (Softway Systems), $1 million for a 15% interest in Sage Enterprises, Inc. (Sage Enterprises), $2.3 million for a 31% interest in Reel.com LLC (Reel.com), and $743,000 for a follow on investment in Silknet. The follow on investment in Silknet was part of a $5 million equity round, including outside investors, and reduced the Company's ownership in Silknet from 26% to 23%. With its initial investments in fiscal 1997, the Company began accounting for its investments in KOZ, inc., Softway Systems, and Sage Enterprises under the cost method of accounting, and its investments in Silknet and Reel.com under the equity method.

The acquisition accounting and valuation for the Company's or its subsidiaries' investments in Parable and Silknet in fiscal year 1997, and FreeMark, NetCarta, GeoCities, Point, and Vicinity in fiscal 1996, resulted in totals of $1,312,000 and $2,691,000 in fiscal years 1997 and 1996, respectively, being identified as in-process research and development, which was expensed because technological feasibility had not been reached at the dates the investments were made.

(9) Transactions in Stock of Subsidiaries

In October 1995, the Company's majority-owned subsidiary, Lycos acquired 100% of Point, a company involved in reviewing and ranking sites on the Internet, in exchange for a minority interest in Lycos. The former owner of Point also received an option to purchase 343,000 additional shares of Lycos at an exercise price of $2.00 per share. The option has a ten-year term and became fully vested at the closing of Lycos' initial public offering in April 1996. As a result of this transaction, the Company's ownership interest in Lycos was

reduced from approximately 80% to approximately 76% and the Company's net equity in Lycos increased by $190,000, net of $132,000 of deferred income taxes. The increase has been reflected as an equity transaction included in "Effect of subsidiaries' equity transactions" in the accompanying Consolidated Statements of Stockholders' Equity.

In April 1996, Lycos sold 3,135,000 shares of its previously unissued common stock in an initial public offering at $16 per share, receiving net proceeds of $46,021,000. With this transaction, the Company's ownership interest in Lycos was reduced from approximately 76%, to approximately 58%, and the Company's net investment in Lycos increased from approximately $1 million to approximately $20.6 million, resulting in the recognition of a pre-tax gain of $19,575,000. This gain reflects the increased book value of the Company's investment in Lycos resulting from the net proceeds received by Lycos from the sale of its stock. The Company provided $8,026,000 for deferred income taxes resulting from the gain.

On July 31, 1996, another of the Company's subsidiaries, Blaxxun, successfully completed an equity financing, issuing 400,000 shares of preferred stock to an outside party in exchange for $2,000,000. With this transaction, the Company's net equity in Blaxxun increased from approximately $780,000 to approximately $2,082,000. Since at the time of the transaction Blaxxun was engaged principally in research and development, the resulting $768,000 increase, net of $534,000 of deferred income taxes, has been reflected as an equity transaction included in "Effect of subsidiaries' equity transactions" in the accompanying Consolidated Statements of Stockholders' Equity.

Lycos develops and provides on-line guides to the Internet's World Wide Web, enabling users of the Internet to identify, select, and access the resources and information of interest to them. Blaxxun develops three dimensional interactive software. The above gain on issuance of stock by subsidiary and effects of subsidiaries' equity transactions are reported net of the 22.5% interest attributed to CMG @Ventures' profit partners (see note 8).

(10) Sale of Investment in TeleT Communications

On September 19, 1996, the Company sold its equity interest in TeleT to Premiere for $550,000 in cash and 320,833 shares of Premiere stock. The Company, through CMG@Ventures, acquired its 46% equity interest in TeleT for $750,000 during April 1996. As a result of the sale, the Company recognized a pre-tax gain of $3,616,000, reported net of the 22.5% interest attributed to CMG@Ventures' profit partners, reflected as "Gain on sale of investment in TeleT Communications" in the accompanying Consolidated Statements of Operations. Of the Premiere shares received, 37,500 are to be held in escrow for a six-year period, subject to certain customary conditions, and have been classified in other assets with a carrying value of $450,000. The remaining shares were received subject to an average one-year restriction on transferability, and have been classified in available-for-sale securities, with a carrying value at the time of acquisition of $4,080,000, net of market value discount to reflect the restriction on transferability.

(11) Sale of NetCarta Corporation

On December 9, 1996, Microsoft Corporation (Microsoft) entered into a definitive agreement to acquire one of the Company's subsidiaries, NetCarta, for $20,000,000 in cash, subject to certain conditions. On January 31, 1997, the sale of NetCarta was finalized, with the Company receiving proceeds of $18,468,000, net of proceeds to former NetCarta employees who exercised employee stock options. As a result of the sale, the Company recognized a pretax gain of $15,111,000, reported net of the 22.5% interest attributed to CMG@Ventures' profit partners, reflected as "Gain on sale of NetCarta Corporation" in the accompanying Consolidated Statements of Operations. Of the proceeds received, $2,000,000 included in "Cash and cash equivalents" at July 31, 1997, is currently held on the Company's behalf by an outside escrow agent, to secure certain indemnification obligations of the Company and CMG @Ventures related to the sale of NetCarta, and is restricted for this purpose through February 1998.

(12) Accrued Expenses

Accrued expenses consist of the following:

	July 31, 1997	1996
Accrued promotional expenses	$ 4,178,000	$ 300,000
Accrued compensation and benefits	2,455,000	1,538,000
Accrued customer deposits	2,204,000	431,000
Accrued professional services	2,121,000	763,000
Accrued list owners' commissions	1,342,000	1,168,000
Other	6,040,000	2,045,000
	$18,340,000	$6,245,000

(13) Borrowing Arrangements

Notes payable at July 31, 1997 consisted of $10 million in collateralized corporate borrowings, $10 million borrowed under the Company's corporate line of credit, and $2,494,000 owed by SalesLink under its line of credit. The Company's $10 million collateralized borrowing is secured by 784,314 of the Company's common shares of its subsidiary, Lycos, with interest payable quarterly at a rate of LIBOR plus 1.75% (7.52% effective rate at July 31, 1997), and is payable in full on January 17, 1998. Under this agreement, the Company could become subject to additional collateral requirements under certain circumstances. As of February 24, 1997, the Company had entered into an interest rate swap arrangement with the lender providing the collateralized financing. The agreement effectively fixed the interest rate on this debt for a notional principal amount of $10 million at a rate of 7.52% through January 17, 1998. SalesLink's borrowings were made under its $4,500,000 revolving credit note agreement with a bank. The revolving credit note is payable in full on October 1, 1998 and provides for the option of interest at the London Interbank Offered Rate (LIBOR) or the higher of 1) the rate announced by First National Bank of Boston as its base rate (Prime), or 2) one-half percent above the Federal Funds Effective Rate plus, in any case, an applicable margin based on SalesLink's leverage ratio (7.66% effective rate in place at July 31, 1997). The Company's $10 million

corporate line of credit with the same bank provides for the option of interest at LIBOR plus 2.5% or Prime plus 0.5% (8.22% effective rate in place at July 31, 1997), provides for the payment of commitment fees equal to 0.5% of unused portions of the line balance, and expires on May 14, 1998. Borrowings under the corporate line may not exceed 50% of the after-tax market value of the Company's unrestricted shares of Lycos. Additionally, the Company's line of credit facilities are subject to normal banking terms and conditions which do not materially restrict the Company's activities, including financial covenants requiring the Company and SalesLink to maintain certain levels of net worth as well as limitations on indebtedness and capital expenditures.

Long-term debt at July 31, 1997 consisted of $12.8 million borrowed to finance the Company's acquisition of Pacific Link in October 1996 (see note 7), including $7.3 million outstanding on a seller's note and $5.5 million outstanding on a bank note. The seller's note is supported by a bank letter of credit, bears interest at 7% per year and is payable monthly in arrears over a term of 30 months beginning July 31, 1997. The bank loan provides for the option of interest at the London Interbank Offered Rate (LIBOR) or the higher of 1) the rate announced by First National Bank of Boston as its base rate, or 2) one-half percent above the Federal Funds Effective Rate plus, in any case, an applicable margin based on SalesLink's leverage ratio (7.66% effective rate in place at July 31, 1997). The bank loan is repayable in quarterly installments beginning January 31, 1998 through July 31, 2001, with the remaining balance to be repaid on October 1, 2001. Maturities of long-term debt for the next five fiscal years are as follows: 1998, $3,221,000; 1999, $3,567,000; 2000, $2,983,000; 2001, $2,375,000; and 2002, $625,000.

As of February 24, 1997, the Company had entered into an interest rate swap agreement with the lender providing SalesLink's $2.5 million line of credit borrowing and $5.5 million long term bank note. The agreement effectively set a maximum LIBOR interest rate base on debt for a notional principal amount of $8 million at a rate of 8.5% through February 26, 2002. This swap was purchased to provide protection to the Company from exposure to higher interest rates in the future (above 8.5%), and requires additional payments by the Company should LIBOR fall below 5% or should LIBOR be above 6%, but below 8.5%. At July 31, 1997, based on prices quoted from the bank, interest rate hedge agreement values would indicate an obligation of $85,000 to terminate this contract.

(14) Commitments

The Company leases facilities and certain other machinery and equipment under various noncancelable operating leases expiring through June 2011. Future minimum lease payments as of July 31, 1997 are as follows:

Year ending July 31:

1998	$11,664,000
1999	10,033,000
2000	4,996,000
2001	1,823,000
2002	1,722,000
Thereafter	11,430,000
	$41,668,000

Total rent and equipment lease expense charged to continuing operations was $8,184,000, $2,112,000 and $1,093,000 for the years ended July 31, 1997, 1996 and 1995, respectively.

In March 1997, Lycos renewed its one year "Premier Provider" agreement (the Agreement) with Netscape Communications Corporation (Netscape) which commenced in May 1997 for an additional one year term, pursuant to which Lycos was designated as one of four "Premier Providers" of search and navigation services accessible from the "Net Search" button on the Netscape browser. Lycos is obligated to make minimum payments of $4.7 million under the terms of the Agreement. Lycos recognizes the cost of the Agreement ratably over its term.

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

(15) Stockholders' Equity

On February 2, 1996 and March 17, 1995, the Company effected 2-for-1 and 3-for-2 common stock splits, respectively, in the form of stock dividends. Accordingly, all data shown in the accompanying consolidated financial statements has been retroactively adjusted to reflect these events.

During the first quarter of fiscal 1997, the Company's Board of Directors authorized the Company to buy back up to 500,000 shares of its common stock. During the first and second quarters of fiscal 1997, 100,000 shares were repurchased at an average cost of $9.84 per share, for a total of $984,000. Pursuant to a stock purchase agreement entered into as of December 10, 1996, the Company sold 470,477 shares of its common stock (the "CMG Shares"), including

the 100,000 treasury shares acquired in fiscal 1997, to Microsoft on January 31, 1997, representing 4.9% of CMG's total outstanding shares of common stock following the sale. The CMG Shares were priced at $14.50 per share, with proceeds to CMG totaling $6,821,917. The CMG Shares purchased by Microsoft are not registered under the Securities Act of 1933 and carry a one year prohibition on transfer or sale. Under the terms of the agreement and following the

one-year period, Microsoft is entitled to two demand registration rights as well as piggy back registration rights. Additionally, Microsoft is subject to "stand still" provisions, whereby it is prohibited for a period of three years, without the consent of CMG, (i) from increasing its ownership in CMG above ten percent of CMG's outstanding shares, (ii) from exercising any control or influence over CMG, and (iii) from entering into any voting agreement with respect to its CMG Shares.

On May 28, 1997, the Company announced a new venture dividend program in connection with the Company's CMG @Ventures Internet investments. Subject to restrictions on transfer, the program envisions that it may distribute up to 10% of the stock held by CMG @Ventures following an initial public offering by any one of the companies in which it holds an investment. The Company may also announce from time to time other stock dividends in connection with its Internet investments. Such dividends are subject to approval of the Company's Board of Directors and subject to holding requirements by regulatory agencies such as the Securities and Exchange Commission. The program may be altered or discontinued at the discretion of the Company. The Company also announced its first dividend under the new program, of one share of Lycos common stock for every sixteen shares of the Company's common stock held by stockholders of record on June 5, 1997. The Company distributed 603,000 shares of Lycos common stock, with a market value of $11,008,000 at the date of distribution, to the Company's stockholders on July 31, 1997 as payment of this dividend. The distribution resulted in a pre-tax gain of $8,413,000 in fiscal 1997 reflected as "Gain on dividend distribution of Lycos, Inc. common stock" in the accompanying Consolidated Statements of Operations.

(16) Stock Option Plans

The Company has two stock option plans currently in effect: the 1986 Stock Option Plan (the "1986 Plan") and the 1995 Stock Option Plan For Non-Employee Directors (the "Directors' Plan"). The Directors' Plan was adopted by the Board of Directors on May 31, 1995, and was approved by the stockholders of the Company at the 1995 Annual Meeting of Stockholders. Options under both plans are granted at fair market value on the date of the grant.

Options granted under the 1986 Plan are generally exercisable in equal cumulative installments over a four-to-ten year period beginning one year after the date of grant. Options under the Directors' Plan become exercisable in five equal annual installments beginning immediately after each Annual Stockholders Meeting following grant. Outstanding options under both Plans at July 31, 1997, expire through 2007.

Under the 1986 Plan, non-qualified stock options or incentive stock options may be granted to the Company's or its subsidiaries' employees, as defined. The Board of Directors administers this plan, selects the individuals to whom options will be granted, and determines the number of shares and exercise price of each option. 1,500,000 shares of the Company's common stock were initially reserved for issuance under this plan. During fiscal 1994, the Company's Board of Directors reserved 1,533,024 additional shares of common stock for issuance upon the exercise of options. The number of shares reserved for issuance pursuant to the 1986 Plan is reduced by the number of shares issued under the Company's 1995 Employee Stock Purchase Plan (see note 17).

Pursuant to the Directors' Plan, 282,000 shares of the Company's common stock were initially reserved. Options for 47,000 shares are to be granted to each Director who is neither an officer or full time employee of the Company, nor an affiliate of an institutional investor which owns shares of common stock of the Company. Options were granted to existing Directors with five years of continuous service at the date the Plan was adopted, and are granted to subsequent Directors at the time of election to the Board.

The status of the plans during the three fiscal years ended July 31, 1997, was as follows:

	1997		1996	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Options outstanding, beginning of year	1,021,858	$ 7.73	1,203,074	$ 3.27
Granted	169,050	15.86	228,456	19.74
Exercised	(108,627)	8.33	(320,842)	0.77
Canceled	(114,591)	20.29	(88,830)	3.32
Options outstanding, end of year	967,690	$ 7.59	1,021,858	$ 7.73
Options exercisable, end of year	369,886	$ 5.95	142,896	$ 4.95
Options available for grant, end of year	890,640		956,618	

	1995	
	Number of shares	Weighted average exercise price
Options outstanding, beginning of year	1,141,956	$ 1.85
Granted	600,338	5.37
Exercised	(65,700)	0.72
Canceled	(473,520)	2.87
Options outstanding, end of year	1,203,074	$ 3.27
Options exercisable, end of year	285,966	$ 0.56
Options available for grant, end of year	1,104,568	

The following table summarizes information about the Company's stock options outstanding at July 31, 1997:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number of shares	Weighted average remaining contractual life	Weighted average exercise price	Number shares	Weighted average exercise
$ 1.54 - $ 2.67	329,282	5.8 years	$ 2.57	116,918	$ 2.41
$ 2.96 - $ 3.67	210,535	2.2	$ 3.63	136,856	$ 3.63
$ 6.13 - $10.13	186,017	5.5	$ 8.07	80,200	$ 8.07
$12.00 - $16.00	203,800	5.4	$14.52	21,319	$13.22
$24.50 - $35.63	38,056	3.7	$33.55	14,593	$33.79
$ 1.54 - $35.63	967,690	4.8 years	$ 7.59	369,886	$ 5.95

SFAS No. 123, "Accounting for Stock-Based Compensation", sets forth a fair-value based method of recognizing stock-based compensation expense. As permitted by SFAS No. 123, the Company has elected to continue to apply APB No. 25 to account for its stock-based compensation plans. Had compensation cost for awards in fiscal 1997 and 1996 under the Company's stock-based compensation plans been determined based on the fair value method set forth under SFAS No. 123, the pro forma effect on the Company's net income (loss) and earnings (loss) per share would have been as follows:

	Year ended July 31, 1997	1996
Net income (loss):		
As reported	$(22,027,000)	$14,322,000
Pro forma	$(23,907,000)	$13,666,000
Primary earnings (loss) per share:		
As reported	$ (2.34)	$ 1.48
Pro forma	$ (2.54)	$ 1.41

The fair value of each stock option grant has been estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for fiscal 1997 and 1996, respectively: volatility of 66.69% and 80.30%; risk-free interest rate of 6.19% and 5.81%; expected life of options of 6.2 years and 4.0 years; and 0% dividend yield for both years. The weighted average fair value per share of options granted during fiscal 1997 and 1996 was $10.55 and $10.11, respectively.

The effect of applying SFAS No. 123 as shown in the above pro forma disclosure is not likely to be representative of the pro forma effect on reported income or loss for future years. SFAS No. 123 does not apply to awards made prior to fiscal 1996 and additional awards in future years are anticipated.

(17) Employee Stock Purchase Plan

On October 4, 1994, the Board of Directors of the Company adopted the 1995 Employee Stock Purchase Plan (the Plan). The purpose of the Plan is to provide a method whereby all eligible employees of the Company and its subsidiaries may acquire a proprietary interest in the Company through the purchase of shares of common stock. Under the Plan, employees may purchase the Company's common stock through payroll deductions.

At the beginning of each of the Company's fiscal quarters, commencing with February 1, 1995, employees are granted an option to purchase shares of the Company's common stock at an option price equal to 85% of the fair market value of the Company's common stock on either the first business day or last business day of the applicable quarterly period, whichever is lower.

Employees purchased 11,519 shares, 8,324 shares and 7,374 shares of common stock of the Company under the Plan during fiscal 1997, 1996 and 1995, respectively.

(18) Income Taxes

The provision (benefit) for income taxes from continuing operations for the years ended July 31, consists of the following:

	Current	Deferred	Total
July 31, 1995:			
Federal	$ 2,569,000	$ (70,000)	$ 2,499,000
State	367,000	(22,000)	345,000
	$ 2,936,000	$ (92,000)	$ 2,844,000
July 31, 1996:			
Federal	$ 7,758,000	$6,448,000	$14,206,000
State	632,000	1,835,000	2,467,000
	$ 8,390,000	$8,283,000	$16,673,000
July 31, 1997:			
Federal	$(3,114,000)	$ (849,000)	$(3,963,000)
State	1,023,000	(22,000)	1,001,000
	$(2,091,000)	$ (871,000)	$(2,962,000)

Excluded from the tax benefit in fiscal 1997 but included in deferred tax liabilities and assets are $593,000 provided for unrealized holding gains from the increase in the market value of available-for-sale securities and $260,000 related to deferred tax assets acquired with the acquisition of Pacific Link, respectively. Excluded from the tax provision in fiscal 1996 but included in deferred income tax liabilities are $666,000 provided for the effect of subsidiaries' equity transactions and $78,000 related to the difference in bases of assets acquired. Excluded from the tax provision in fiscal 1995 but included in deferred income tax liabilities were $10,810,000 provided for unrealized holding gains from the increase in the market value of available-for-sale securities and $9,298,000 owed in conjunction with the disposal of BookLink.

Deferred income tax assets and liabilities have been classified on the accompanying Consolidated Balance Sheets in accordance with the nature of the item giving rise to the temporary differences. The components of deferred tax assets and liabilities are as follows:

	July 31, 1997			July 31, 1996		
	Current	Non-current	Total	Current	Non-current	Total
Deferred tax assets:						
Accruals and reserves	$1,630,000	$ --	$ 1,630,000	$213,000	$ --	$ 213,000
Income tax basis in excess of financial basis of investments in subsidiaries and affiliates	--	6,990,000	6,990,000	--	3,544,000	3,544,000
Other	--	866,000	866,000	--	254,000	254,000
Total gross deferred tax assets	1,630,000	7,856,000	9,486,000	213,000	3,798,000	4,011,000
Less valuation allowance	(985,000)	(7,716,000)	(8,701,000)	--	(3,798,000)	(3,798,000)
Net deferred tax assets	645,000	140,000	785,000	213,000	--	213,000
Deferred tax liabilities:						
Gain on issuance of stock by subsidiary	--	(7,340,000)	(7,340,000)	--	(8,042,000)	(8,042,000)
Effect of subsidiaries' equity transactions	--	(654,000)	(654,000)	--	(666,000)	(666,000)
Differences in tax depreciation and amortization	--	(570,000)	(570,000)	--	(336,000)	(336,000)
Financial basis in excess of tax basis of available-for-sale securities	(534,000)	--	(534,000)	--	--	--
Other	--	(57,000)	(57,000)	--	(78,000)	(78,000)
Total gross deferred tax liabilities	(534,000)	(8,621,000)	(9,155,000)	--	(9,122,000)	(9,122,000)
Net deferred tax asset (liability)	$ 111,000	$(8,481,000)	$(8,370,000)	$213,000	$(9,122,000)	$(8,909,000)

The net change in the total valuation allowance for the year ended July 31, 1997 was an increase of $4,903,000. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at July 31, 1997.

The following table reconciles the income tax expense (benefit) based on the federal statutory income tax rate to the Company's actual income tax expense (benefit):

	July 31,		
	1997	1996	1995
Provision (benefit) for income taxes at federal statutory rate	$(8,746,000)	$10,848,000	$2,586,000
Difference in income tax expense (benefit) resulting from:			
Non-deductible goodwill amortization	311,000	129,000	5,000
Valuation allowance	4,903,000	3,798,000	--
State income taxes, net of federal benefit	651,000	1,604,000	228,000
Other	(81,000)	294,000	25,000
Actual income tax expense (benefit)	$(2,962,000)	$16,673,000	$2,844,000

NOTES TO CONSOLIDATED

FINANCIAL STATEMENTS (CONT'D.)

(19) Selected Quarterly Financial Information (unaudited)

The following table sets forth selected quarterly financial and stock price information for the years ended July 31, 1997 and 1996. The operating results for any given quarter are not necessarily indicative of results for any future period. The Company's common stock is traded on the NASDAQ National Market System ("NASDAQ/NMS") under the symbol CMGI. Included below are the high and low sales prices (adjusted for a 2-for-1 stock split effected on February 2, 1996) during each quarterly period for the shares of common stock as reported by NASDAQ/NMS.

(in thousands, except per share data)

	Fiscal 1997 Quarter ended				Fiscal 1996 Quarter ended			
	Oct. 31	Jan. 31	Apr. 30	Jul. 31	Oct. 31	Jan. 31	Apr. 30	Jul 31
Net revenues	$10,640	$18,897	$19,010	$22,060	$5,835	$6,105	$7,484	$9,061
Cost of revenues	5,366	11,286	11,551	13,949	3,593	3,827	4,988	5,501
Research and development expenses	4,965	6,732	6,466	6,895	500	1,449	1,751	3,271
In-process research and development expenses	1,312	-	-	-	-	452	-	2,239
Selling, general and administrative expenses	13,446	13,688	12,749	15,311	2,776	3,643	5,548	9,521
Operating loss	(14,449)	(12,809)	(11,756)	(14,095)	(1,034)	(3,266)	(4,803)	(11,471)
Interest income, net	924	260	328	237	239	829	474	1,149
Gain on sale of available-for-sale securities	-	-	-	-	30,049	-	-	-
Gain on sale of investment in TeleT	3,616	-	-	-	-	-	-	-
Gain on sale of NetCarta Corporation	-	15,111	-	-	-	-	-	-
Gain on distribution of Lycos, Inc. common stock	-	-	-	8,413	-	-	-	-
Gain on issuance of stock by subsidiary	-	-	-	-	-	-	19,575	-
Equity in losses of affiliates	(1,008)	(1,081)	(1,924)	(1,543)	(270)	(751)	(931)	(963)
Minority interest	2,422	1,025	492	848	43	257	517	1,352
Income tax benefit (expense)	1,098	(1,840)	2,584	1,120	(10,849)	286	(7,418)	1,308
Net income (loss)	$(7,397)	$ 666	$(10,276)	$(5,020)	$18,178	$(2,645)	$7,414	$(8,625)
Market Price								
High	$15.00	$17.63	$15.88	$16.88	$18.00	$50.25	$47.25	$33.00
Low	$9.13	$15.00	$11.50	$12.88	$9.63	$17.38	$26.13	$12.25

Note: Quarterly amounts reported above vary slightly from the amounts previously reported on Forms 10Q due to the reclassification of costs associated with Lycos' Premier Provider agreement with Netscape (see note 14), which were previously included in cost of revenues, to selling expenses . Amounts reclassified were $1,250,000, $1,250,000, and $972,000 for the fiscal year 1997 quarters ended October 31, January 31, and April 30, respectively, and $278,000 for the fiscal 1996 quarter ended April 30. This reclassification conforms the Company's presentation to industry practice, and has no effect on previously reported net income or earnings per share.

(20) Subsequent Events (unaudited)

Subsequent to July 31, 1997, the Company's wholly-owned subsidiary, Engage Technologies, sold certain rights to its Engage.Fusion/TM/ and Engage.Discover /TM/ products to Red Brick Systems, Inc. (Red Brick) for cash and Red Brick common stock valued at approximately $11.5 million. During the first quarter of fiscal 1998, the Company also sold 224,795 shares of Premiere common stock for total proceeds of $7.6 million. Also, subsequent to July 31, 1997, CMG @Ventures L.P. and CMG@Ventures II LLC invested a total of $3,016,000 in new and previously existing Internet investments.

Independent Auditors' Report

The Board of Directors and Stockholders
CMG Information Services, Inc.:

We have audited the accompanying Consolidated Balance Sheets of CMG Information Services, Inc. and subsidiaries as of July 31, 1997 and 1996, and the related Consolidated Statements of Operations, Stockholders' Equity, and Cash Flows for each of the years in the three-year period ended July 31 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CMG Information Services, Inc. and subsidiaries as of July 31, 1997 and 1996, and the results of their operations and their cash flows for each of the years in three-year period ended July 31, 1997, in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

KPMG PEAT MARWICK LLP

Boston, Massachusetts
September 19, 1997

Exhibit 21

CMG INFORMATION SERVICES, INC.
Subsidiaries of the Registrant

1. SalesLink Corporation, a Massachusetts corporation.

2. CMG Securities Corporation, a Massachusetts corporation.

3. CMG @Ventures, Inc., a Delaware corporation.

4. CMG @Ventures Capital Corporation, a Delaware corporation.

5. CMG @Ventures, L.P., a Delaware limited partnership.

6. Lycos, Inc., a Delaware corporation

7. Engage Technologies, Inc., a Delaware corporation (formerly CMG Direct Interactive, Inc.).

8. Blaxxun Interactive, Inc., a Delaware corporation (formerly Black Sun Interactive, Inc.).

9. Planet Direct Corporation, a Delaware corporation.

10. ADSmart Corporation, a Delaware corporation.

11. InfoMation Publishing Corporation, a Delaware corporation.

12. Pacific Link Corporation, a California corporation.

13. CMG Direct Corporation, a Delaware corporation.

14. NaviSite Internet Services Corporation, a Delaware corporation.

15. Vicinity Corporation, a California corporation.

16. CMG @Ventures II, LLC, a Delaware limited liability company.

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
CMG Information Services, Inc.:

We consent to the incorporation by reference in the registration statements of CMG Information Services, Inc. on Form S-8 (File No. 33-86742 and File No. 33-06745) of our reports dated September 19, 1997, relating to the Consolidated Balance Sheets of CMG Information Services, Inc. and subsidiaries as of July 31, 1997 and 1996, and the related Consolidated Statements of Operations, Stockholders' Equity and Cash Flows and related schedule for each of the years of the three-year period ended July 31, 1997, which reports appear in the July 31, 1997 annual report on Form 10-K of CMG Information Services, Inc.

/s/ KPMG PEAT MARWICK LLP
KPMG PEAT MARWICK LLP

Boston, Massachusetts
October 28, 1997

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS IN THE ANNUAL REPORT ON FORM 10-K OF CMG INFORMATION SERVICES, INC. FOR THE PERIOD ENDED JULY 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANICAL STATEMENTS.

1,000

12-MOS
JUL-31-1997
AUG-01-1996
JUL-31-1997
59,762
5,945
19,869
1,083
0
106,691
20,091
8,947
148,354
68,137
0
0
0
0
97
29,351
148,354
70,607
70,607
42,152
42,152
81,564
0
(1,749)
(24,989)
(2,962)
(22,027)
0
0
0
(22,027)
(2.34)
(2.34)