

CMG INFORMATION SERVICES, INC.
FORM 10-Q

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CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands, except share and per share amounts)

| | October 31, 1996 | July 31, 1996 |
|---|---------------------|------------------|
| | ----- | ----- |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 53,689 | \$ 63,387 |
| Available-for-sale securities | 7,630 | 13,069 |
| Accounts receivable, trade, less allowance for doubtful accounts | 15,041 | 10,666 |
| License fees receivable | 1,274 | 1,032 |
| Prepaid expenses and other current assets | 3,391 | 2,199 |
| Deferred income taxes | 585 | 213 |
| | ----- | ----- |
| Total current assets | 81,610 | 90,566 |
| Property and equipment, net | 10,101 | 8,461 |
| Investments in affiliates | 4,512 | 4,073 |
| Cost in excess of net assets of subsidiaries acquired, net of accumulated amortization | 18,908 | 2,299 |
| Other assets | 4,127 | 4,104 |
| | ----- | ----- |
| | \$119,258 | \$109,503 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 8,397 | \$ 7,251 |
| Accrued expenses | 11,204 | 6,245 |
| Deferred revenues | 4,195 | 4,620 |
| Current installments of long term debt | 2,174 | 245 |
| Other current liabilities | 1,421 | 196 |
| | ----- | ----- |
| Total current liabilities | 27,391 | 18,557 |
| Long term debt, less current installments | 12,484 | 208 |
| Deferred income taxes | 7,597 | 9,122 |
| Other long term liabilities | 468 | 347 |
| Minority interest | 25,422 | 27,277 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value. Authorized 5,000,000 shares; none issued | -- | -- |
| Common stock, \$.01 par value. Authorized 40,000,000 shares; issued 9,178,251 shares at October 31, 1996 and 9,166,747 shares at July 31, 1996 | 92 | 92 |
| Additional paid-in capital | 9,380 | 9,243 |
| Treasury stock, at cost. 85,000 shares at October 31, 1996 | (836) | -- |
| Retained earnings | 37,260 | 44,657 |
| | ----- | ----- |
| Total stockholders' equity | 45,896 | 53,992 |
| | ----- | ----- |
| | \$119,258 | \$109,503 |
| | ===== | ===== |

The accompanying notes are an integral part of the consolidated financial statements.

CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(in thousands, except per share amounts)

| | Three months ended October 31, | |
|---|--------------------------------|----------|
| | 1996 | 1995 |
| Net sales | \$ 10,640 | \$ 5,835 |
| Operating expenses: | | |
| Cost of sales | 6,616 | 3,593 |
| Research and development | 4,965 | 501 |
| In-process research and development | 1,312 | -- |
| Selling | 7,956 | 1,096 |
| General and administrative | 4,240 | 1,679 |
| Total operating expenses | 25,089 | 6,869 |
| Operating loss | (14,449) | (1,034) |
| Other income (deductions): | | |
| Interest income, net | 924 | 239 |
| Gain on sale of available-for-sale securities | -- | 30,049 |
| Gain on sale of investment in affiliate | 3,616 | -- |
| Equity in losses of affiliates | (1,008) | (270) |
| Minority interest | 2,422 | 43 |
| | 5,954 | 30,061 |
| Income (loss) before income taxes | (8,495) | 29,027 |
| Income tax expense (benefit) | (1,098) | 10,849 |
| Net income (loss) | \$ (7,397) | \$18,178 |
| Primary earnings (loss) per share | \$(0.81) | \$1.90 |
| Fully diluted earnings (loss) per share | \$(0.81) | \$1.85 |
| Weighted average shares outstanding: | | |
| Primary | 9,167 | 9,554 |
| Fully diluted | 9,167 | 9,822 |

The accompanying notes are an integral part of the consolidated financial statements.

CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)

| | Three months ended October 31, | |
|---|--------------------------------|-----------|
| | 1996 | 1995 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (7,397) | \$ 18,178 |
| Adjustments to reconcile net income (loss) to net cash used for operating activities: | | |
| Depreciation and amortization | 1,105 | 412 |
| Deferred income taxes | (1,572) | (49) |
| Gain on sale of available-for-sale securities | -- | (30,049) |
| Gain on sale of investment in affiliate | (3,616) | -- |
| Equity in losses of affiliates | 1,008 | 270 |
| Minority interest | (2,422) | (43) |
| In-process research and development | 1,312 | -- |
| Changes in operating assets and liabilities, excluding effects of acquired companies: | | |
| Accounts and license fees receivable | 223 | (1,183) |
| Prepaid expenses and other current assets | (490) | (115) |
| Other assets | 384 | 101 |
| Accounts payable and accrued expenses | 1,282 | 674 |
| Deferred revenues | (425) | -- |
| Refundable and accrued income taxes | 455 | 10,737 |
| Net cash used for operating activities | (10,153) | (1,067) |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (1,703) | (1,024) |
| Proceeds from sale or maturities of available-for-sale securities | 9,519 | 57,462 |
| Investments in affiliates and acquisitions of subsidiaries | (21,348) | -- |
| Proceeds from sale of investment in affiliate | 550 | -- |
| Other | (456) | (610) |
| Net cash provided by (used for) investing activities | (13,438) | 55,828 |
| Cash flows from financing activities: | | |
| Proceeds from issuance of notes payable | 14,205 | -- |
| Sale of common stock, net | 61 | 164 |
| Purchase of treasury stock | (836) | -- |
| Other | 463 | (109) |
| Net cash provided by financing activities | 13,893 | 55 |
| Net increase (decrease) in cash and cash equivalents | (9,698) | 54,816 |
| Cash and cash equivalents at beginning of period | 63,387 | 9,423 |

| | | |
|--|-----------|-----------|
| Cash and cash equivalents at end of period | \$ 53,689 | \$ 64,239 |
| | ===== | ===== |

Supplemental disclosure information:

Cash paid during the period for:

| | | |
|--------------|-------|--------|
| Interest | \$ 69 | \$ - - |
| | ===== | ===== |
| Income taxes | \$ 16 | \$ 86 |
| | ===== | ===== |

The accompanying notes are an integral part of the consolidated financial statements.

CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles. In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary for a fair presentation of the Company's financial position, results of operations and cash flows at the dates and for the periods indicated. While the Company believes that the disclosures presented are adequate to make the information not misleading, these consolidated financial statements should be read in conjunction with the audited financial statements and related notes for the year ended July 31, 1996 which are contained in the Company's Form 10-K.

The results for the three month period ended October 31, 1996 are not necessarily indicative of the results to be expected for the full fiscal year. Certain prior year amounts in the consolidated financial statements have been reclassified in accordance with generally accepted accounting principles to conform with current year presentation and to present the Company's subsidiary, SalesLink Corporation (SalesLink), as part of the Company's continuing operations. SalesLink was identified for disposition during the fourth quarter of fiscal 1995 and had been accounted for as a discontinued operation from that time until the second quarter of fiscal 1996. During the second quarter of fiscal 1996, the Company decided to retain SalesLink because of its potential synergies with the Company's subsidiary, CMG Direct Interactive, Inc. Accordingly the operating results of SalesLink are now included in continuing operations, classified as the Company's fulfillment services segment, and fiscal year 1996 amounts have been reclassified to present SalesLink as part of continuing operations. During the first quarter of fiscal 1996, SalesLink generated sales and operating income of \$2,473,000 and \$172,000, respectively. The total assets and liabilities of SalesLink were \$4,989,000 and \$1,255,000, respectively, as of October 31, 1995.

B. ACQUISITIONS AND INVESTMENTS

During the first quarter of fiscal year 1997 the Company, through its subsidiary limited partnership, CMG@Ventures, invested a total of \$3,250,000 to acquire a 46% minority interest in Parable LLC (Parable), a developer of easy-to-use interactive multimedia software, and a 26% minority interest in Silknet Software, Inc. (Silknet), a provider of Web-based customer service software. The Company's investments in Parable and Silknet are accounted for on the equity method. The acquisition accounting for the Company's investments in Parable and Silknet resulted in a total of \$1,312,000 being identified as in-process research and development, which was expensed during the quarter because technological feasibility had not been reached at the dates the investments were made.

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 is obligated to pay (along with interest at the annual rate of 7%) on January 31, 1997, and the remaining \$7.5 million of which was financed through a seller's 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 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. 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. 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. Additional purchase price of up to \$1 million could be paid if certain future performance goals are met.

CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

B. ACQUISITIONS AND INVESTMENTS (CONTINUED)

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 the fair values at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired was \$16.1 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 | \$ 197,000 |
| Property, plant and equipment | 668,000 |
| Other assets | 181,000 |
| Goodwill | 16,077,000 |
| Other liabilities | (123,000) |
| | ----- |
| Purchase price | \$17,000,000 |
| | ===== |

C. SALE OF INVESTMENT IN TELET COMMUNICATIONS

On September 19, 1996, the Company sold its equity interest in Telet Communications, LLC (Telet) to Premiere Technologies (Premiere) for \$550,000 in cash and 320,833 shares of Premiere stock. The Company, through CMG@Ventures, acquired its equity interest in Telet for \$750,000 during April 1996. As a result of the sale, the Company recognized a pretax 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 affiliate". Of the 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 long term assets with a carrying value of \$450,000. The remaining shares are subject to an average one year holding period, and have been classified in available-for-sale securities, with a carrying value of \$4,080,000, net of market value discount to reflect the holding period requirement.

A. AVAILABLE-FOR-SALE SECURITIES

At October 31, 1996, available-for-sale securities consist of equity and debt securities, carried at fair value. The estimated fair value of these securities consists of \$4,080,000 of Premiere Technologies common stock and \$3,550,000 of U.S. Government agency obligations which the Company does not intend to hold to maturity. Since the estimated fair value of each investment approximates its carrying value or amortized cost, there are no unrealized gains or losses reflected as of October 31, 1996.

E. EARNINGS (LOSS) PER SHARE

Net income (loss) per common share is computed based upon the weighted average number of common and common equivalent shares outstanding during each period. Common equivalent shares, using the treasury stock method, are included in the per share calculations only when the effect of their inclusion would be dilutive. Accordingly, since the Company reported a net loss during the first quarter of fiscal 1997, common equivalent shares have not been included in the calculation of weighted average shares outstanding for the three month period ending October 31, 1996. Common stock equivalent shares consist of stock options. On February 2, 1996, the Company effected a two-for-one common stock split in the form of a stock dividend. Accordingly, the consolidated financial statements have been retroactively adjusted to reflect this event.

CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

F. SEGMENT INFORMATION

The Company's operations are classified in three primary business segments: (i) lists and database services, (ii) fulfillment services and (iii) investment and development. Summarized financial information by business segment is as follows:

| | Three months ended October 31, | |
|-----------------------------|--------------------------------|------------------------|
| | ----- 1996 ----- | ----- 1995 ----- |
| Net sales: | | |
| Lists and database services | \$ 3,100,000 | \$ 3,135,000 |
| Fulfillment services | 3,544,000 | 2,473,000 |
| Investment and development | 3,996,000 | 227,000 |
| | ----- | ----- |
| | \$ 10,640,000 | \$ 5,835,000 |
| | ===== | ===== |
| Operating income (loss): | | |
| Lists and database services | \$ (1,423,000) | \$ 441,000 |
| Fulfillment services | 585,000 | 172,000 |
| Investment and development | (13,611,000) | (1,647,000) |
| | ----- | ----- |
| | \$(14,449,000) | \$(1,034,000) |
| | ===== | ===== |

G. SUBSEQUENT EVENTS

On December 2, 1996, one of the Company's subsidiaries, FreeMark Communications, Inc. (FreeMark) suspended all operations of its free email service. Various financing options are being pursued, including the sale of the business and/or the sale of its subscriber base. Any potential pre-tax charge-off in the second quarter of fiscal year 1997, with respect to the Company's investment in FreeMark, is not expected to be material to the Company's consolidated financial statements.

On December 9, 1996 Microsoft Corp. entered into a definitive agreement to acquire one of the Company's subsidiaries, NetCarta Corp., for \$20,000,000 in cash, subject to certain customary conditions. Additionally, Microsoft agreed to acquire previously unissued shares of the Company's stock to obtain an approximate 4.9 percent ownership interest in the Company.

On December 9, 1996, Vicinity Corporation, in which CMG@Ventures owns a 47% interest successfully completed a \$5,000,000 equity financing, including \$1,845,000 invested by CMG@Ventures. Additionally, the Company's 61% owned subsidiary, GeoCities, is actively pursuing an additional equity financing which is expected to be completed in the near future.

CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

The matters discussed in this report contain 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 in this section and elsewhere in this report, and the risks discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included in the Company's 1996 Annual Report on Form 10-K.

DISCONTINUED OPERATIONS OF SALES LINK CORPORATION SUBSEQUENTLY RETAINED

During the second quarter of fiscal 1996, the Company decided to retain its subsidiary, SalesLink Corporation (SalesLink) as part of the Company's continuing operations. SalesLink was identified for disposition during the fourth quarter of fiscal 1995 and had been accounted for as a discontinued operation since that time. The decision was made to continue to operate SalesLink because of its potential synergies with the Company's subsidiary, CMG Direct Interactive, Inc. (CMGDI), which was formed during fiscal 1996. Accordingly, the operating results of SalesLink are now included in continuing operations, classified in the Company's fulfillment services segment, and the accompanying consolidated statements of operations and cash flows for the three months ended October 31, 1995 have been reclassified to present SalesLink within continuing operations.

During the first quarter of fiscal 1996, SalesLink generated net sales and operating income of \$2,473,000 and \$172,000, respectively.

THREE MONTHS ENDED OCTOBER 31, 1996 COMPARED TO THREE MONTHS ENDED OCTOBER 31, 1995

Net sales for the quarter ended October 31, 1996 increased \$4,805,000, or 82.4%, to \$10,640,000 from \$5,835,000 for the quarter ended October 31, 1995. The increase was attributable to an increase of \$3,769,000 in net sales for the Company's investment and development segment, primarily reflecting increased sales by the Company's subsidiary, Lycos, Inc. (Lycos). Additionally, fulfillment services segment net sales increased \$1,071,000, due to the continued ramp up of several customers in the high technology and healthcare industries which were added during fiscal 1996, and lists and database services segment net sales decreased by \$35,000 reflecting continued consolidation in the educational publishing industry and competitive pricing pressure. As the portfolio companies of the investment and development segment continue to develop and introduce their products commercially, the Company expects to report significant future revenue growth in this segment. Also, with the acquisition of Pacific Link at the close of the first quarter of fiscal 1997, the Company expects to report significantly increased future revenues in the fulfillment services segment.

Cost of sales increased \$3,023,000, or 84.1%, to \$6,616,000 in the first quarter of fiscal 1997 from \$3,593,000 for the corresponding period in fiscal 1996, due primarily to increases of \$2,484,000 and \$473,000 related to the investment and development segment and fulfillment services segment, respectively, resulting from higher sales. In the fulfillment services segment, cost of sales as a percentage of net sales decreased to 62.1% in the first quarter of fiscal 1997 from 69.9% in the first quarter of fiscal 1996 due to a shift in mix of services and the ability to spread significant fixed costs, such as facilities costs, over a larger revenue base. Cost of sales in the lists and database services segment increased \$66,000 which related mainly to increases in equipment costs and data center operations for CMGDI.

Research and development expenses increased \$4,464,000, or 891.0%, to \$4,965,000 in the quarter ended October 31, 1996 from \$501,000 in the prior year's first quarter. The increase consists primarily of an increase of \$3,245,000 in research and development expenses for the investment and development segment as product development and enhancement activities continued at all of the Company's Internet investments. Also, research and development expenses increased \$1,200,000 in the lists and database services segment reflecting the continued development of CMGDI's data mining, querying, analysis and targeting products and services. In addition, the Company recorded \$1,312,000 of in-process research and development expenses related to the investments in Parable LLC (Parable) and Silknet Software, Inc. (Silknet) during the first quarter of fiscal 1997. The Company anticipates it will continue to devote substantial resources to product development and that these costs may substantially increase in future periods.

CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
(CONTINUED)

Selling expenses increased \$6,860,000, or 625.9% to \$7,956,000 in the first quarter ended October 31, 1996 from \$1,096,000 for the corresponding period in fiscal 1996. This increase was primarily attributable to a \$6,533,000 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. Selling expenses in the lists and database services segment increased by \$263,000 in comparison with the first quarter of fiscal 1996 due to the continued building of sales and marketing infrastructure for CMGDI. Selling expenses increased as a percentage of net sales to 74.8% in the first quarter of fiscal 1997 from 18.8% for the corresponding period in fiscal 1996. As the Company's subsidiaries continue to introduce new products and expand sales, the Company expects to incur significant promotional expenses, as well as expenses related to the hiring of additional sales and marketing personnel and increased advertising expenses, and anticipates that these costs will substantially increase in future periods.

General and administrative expenses increased \$2,561,000, or 152.5%, to \$4,240,000 in the first quarter of fiscal 1997 from \$1,679,000 for the corresponding period in fiscal 1996. The investment and development segment and lists and database services segment experienced increases of \$2,158,000 and \$301,000, respectively, due to the building of management infrastructures in several of the Company's Internet investments and within CMGDI. General and administrative expenses increased as a percentage of net sales to 39.9% in the first quarter of fiscal 1997 from 28.8% in the first quarter of fiscal 1996. The Company anticipates that its general and administrative expenses will continue to increase significantly in absolute dollar amounts as the Company's subsidiaries, particularly in the investment and development segment, continue to grow and expand their administrative staffs and infrastructures.

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 sale of investment in affiliate resulted when the Company sold its equity interest in TeleT Communications, LLC (TeleT) to Premiere Technologies, Inc. (Premiere) in exchange for \$550,000 and 320,833 shares of Premiere stock in September 1996. Interest income, net, increased \$685,000 compared with the first quarter of fiscal 1996, primarily due to income earned by Lycos from investment of the proceeds of their initial public offering which occurred in April 1996.

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 the quarter ended October 31, 1995 reflect one investment, FreeMark. During the fourth quarter of fiscal 1996, the Company increased its ownership in FreeMark above 50% and, accordingly, began including their operating results in the Company's consolidated operating results beginning on the date when a controlling interest was obtained. Equity in losses of affiliates for the quarter ended October 31, 1996 include the results from the Company's minority ownership in TeleT, Vicinity Corporation, Ikon Interactive, Inc., Parable, and Silknet. The Company expects its portfolio companies to continue to invest in development of their 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 \$2,422,000 in the first quarter of fiscal 1997 from \$43,000 in the corresponding period of fiscal 1996 reflecting minority interest in net losses of consolidated subsidiaries within the Company's investment and development segment.

Income tax benefit in the first quarter of fiscal 1997 was \$1,098,000. Exclusive of taxes provided for significant, unusual or extraordinary items that will be reported separately, the Company provides for income taxes on a year to date basis at an effective rate based upon its estimate of full year earnings. In determining the Company's effective rate for fiscal 1997, equity in losses of affiliates and gain on sale of investment in affiliate were excluded.

CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
(CONTINUED)

LIQUIDITY AND CAPITAL RESOURCES

Working capital at October 31, 1996 decreased to \$54.2 million compared to \$72 million at July 31, 1996. The Company's principal uses of capital during the first quarter of fiscal 1996 were for funding of start-up activities in the Company's investment and development segment, the acquisition of Pacific Link, investments in Parable and Silknet, purchases of property, plant and equipment, and purchases of treasury stock. The Company intends to continue to fund existing and future Internet and interactive media investment and development efforts.

The Company's acquisition of Pacific Link in the first quarter of fiscal 1997 was financed through \$3 million from corporate funds provided for the acquisition, a \$5.5 million, 5 year bank loan, a \$7.5 million, 3 year seller's note, and a \$1 million seller's note due January 31, 1997. Also, during the first quarter, the Company received \$550,000 in cash and 320,833 shares of Premiere Technologies common stock from the sale of its investment in TeleT.

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 October 1996, 85,000 shares were repurchased for \$836,000 and have been reflected as treasury stock in the Company's consolidated balance sheets.

Subsequent to October 31, 1996, one of the Company's subsidiaries, FreeMark Communications, Inc. suspended all operations of its free email service, and the Company entered into a definitive agreement to sell one of the its subsidiaries, NetCarta Corp. to Microsoft Corp. for \$20,000,000 in cash, subject to certain customary conditions. Additionally, Microsoft agreed to acquire previously unissued shares of the Company's stock to obtain an approximate 4.9 percent ownership interest in the Company. Vicinity Corporation, in which CMG@Ventures owns a 47% interest, successfully completed a \$5,000,000 equity financing, including \$1,845,000 invested by CMG@Ventures. The Company's 61% owned subsidiary, GeoCities, is actively pursuing an additional equity financing which is expected to be completed in the near future, including participation by CMG@Ventures. Completion of such financing may result in the Company's ownership interest falling below 50%.

The Company's investments in Parable and Silknet during the first quarter of fiscal 1997 (as well as its investments in Lycos, NetCarta, FreeMark, Black Sun, GeoCities, Ikonic, TeleT and Vicinity) were made through its majority-owned limited partnership, CMG@Ventures. 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 of the Company. Subsequent to October 31, 1996, the sharing of the net gains will be changed to 80% to the Company and 20% to the profit partners. The Company is responsible for all operating expenses of CMG@Ventures.

The Company believes that existing working capital, cash proceeds from the sale of NetCarta Corp. and proceeds from the sale of previously unissued stock to Microsoft Corp. 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.

CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES

PART II: OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) Exhibits

The following exhibits are filed herewith or incorporated by reference pursuant to Rule 12b-32 under the Securities Exchange Act of 1934:

| 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 | Rights of Common Stockholders | Incorporated by reference to Article FOURTH of the Registrant's Restated Certificate of Incorporation and ARTICLE II of the Registrant's Restated By-Laws. |
| 10.1 | Sublease, dated September 26, 1996 between the Registrant and FTP Software, Inc. | Filed herewith. |
| 10.2 | Amendment No. 2 to Employment Agreement, dated October 25, 1996, between the Registrant and David S. Wetherell | Filed herewith. |
| 10.3 | 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 | Filed herewith. |

| | | |
|------|--|-----------------|
| 10.4 | Revolving Credit Note of SalesLink Corporation, dated as of October 24, 1996, in the principal amount of \$2,500,000 | Filed herewith. |
| 10.5 | Term Note of SalesLink Corporation, dated as of October 24, 1996, in the principal amount of \$5,500,000 | Filed herewith. |
| 10.6 | Guaranty by Pacific Direct Direct Marketing Corp. dated as of October 24, 1996 | Filed herewith. |
| 10.7 | Guaranty by the Registrant dated as of October 24, 1996 | Filed herewith. |
| 11 | Statement re computation of per share earnings | Filed herewith. |
| 27 | Financial data schedule | Filed herewith. |

(B) Reports on Form 8-K.

None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CMG Information Services, Inc.

By: /s/Andrew J. Hajducky III

Andrew J. Hajducky III, CPA
Chief Financial Officer

Date: December 13, 1996

100 BRICKSTONE SQUARE
ANDOVER, MASSACHUSETTS

SUBLEASE

THIS SUBLEASE is made in Andover, Massachusetts effective on the Date of SubLease stated in Article 1 between the SubLandlord and the SubTenant named in Article 1. In consideration of the Rent payable by SubTenant and of the agreements to be performed and observed by SubTenant, SubLandlord hereby leases the Premises to SubTenant, and SubTenant hereby takes the Premises from SubLandlord, subject to the provisions and for the term stated below:

ARTICLE 1

REFERENCE DATA AND DEFINITIONS

SECTION 1.01 - TERMS REFERRED TO. Each reference in this SubLease to any

of the following terms incorporates the data stated for that term in this Section 1.01:

DATE OF SUBLEASE: September 26, 1996

SUBLANDLORD: FTP Software, Inc., a Massachusetts corporation

SUBLANDLORD'S ADDRESS: 100 Brickstone Square
Andover, Massachusetts 01810

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

SUBTENANT'S ADDRESS: 187 Ballardvale Street
Suite B110
P.O. Box 7000
Wilmington, MA 01887-7000

TERM COMMENCEMENT DATE: Defined in Section 3.01.

PERMITTED USE: Any use permitted under Section 11 of the Prime Lease.

PREMISES: Approximately 30,277 rentable square feet on the first floor of 100 Brickstone Square, Andover, Massachusetts, more particularly shown in Exhibit A,

together with the right to use in common, with others entitled thereto, the hallways, stairways, elevators and lavatories.

SUBLEASE TERM: Defined in Section 3.01.

SUBLEASE TERMINATION DATE: Defined in Section 1.03.

RENT: Defined in Section 4.01.

SECTION 1.02 - GENERAL PROVISIONS. For all purposes of this SubLease,

unless the context otherwise requires:

(a) A pronoun in one gender includes and applies to the other genders as well.

(b) Each definition stated in Section 1.01 or 1.03 of this SubLease applies equally to the singular and the plural forms of the word or term defined.

(c) Any reference to a document defined in Section 1.03 of this SubLease is to the document as originally executed, or, if amended or supplemented as provided in this SubLease, to the document as amended or supplemented and in effect at the relevant time of reference.

(d) All accounting terms not otherwise defined in this SubLease have the meanings assigned to them under U.S. generally accepted accounting principles.

(e) All references in Section 1.01 are subject to the specific definitions (if any) in Section 1.03.

SECTION 1.03 - DEFINITIONS. Each underlined word or term in this Section

1.03 has the meaning stated immediately after it.

Additional Rent. All charges (other than Rent) due from SubTenant to

SubLandlord.

Affiliates. As defined in Section 24.18 of the Prime Lease.

Authorizations. All franchises, licenses, permits and other governmental

consents issued by Governmental Authorities under Legal Requirements which are or may be required for the occupancy of the Premises or the conduct of a Permitted Use on the Premises.

Building. The building in which the Premises are located.

Business Day. A day which is not a Saturday, Sunday or other day on which

banks in Boston, Massachusetts, are authorized or required by law or executive order to remain closed.

Default. Any event or condition specified in Article 19 so long as any

applicable requirements for the giving of notice or lapse of time or both have not been fulfilled.

Event of Default. Any event or condition specified in Article 19 if all

applicable requirements for the giving of notice or lapse of time or both have been fulfilled.

Governmental Authority. United States of America, Commonwealth of

Massachusetts, Town of Andover, and any political subdivision, agency, department, commission, board, bureau or instrumentality of any of them.

Hazardous Substances. As defined in Section 25 of the Prime Lease.

Improvements. SubTenant's alterations, additions, improvements,

remodeling, repainting, or other changes to the Premises.

Insurance Requirements. All terms of any policy of insurance maintained or

required to be maintained by SubLandlord or SubTenant and applicable to the Premises; all requirements of the issuer of any such policy; and all orders, rules, regulations and other requirements of the National Fire Protection Association (or any other body exercising similar functions) applicable to any condition, operation, use or occupancy of all or any part of the Premises.

Landlord. Andover Mills Realty Limited Partnership, a Massachusetts

limited partnership.

Legal Requirements. (a) All statutes, codes, ordinances (and rules and

regulations thereunder) and all executive, judicial and administrative orders, judgments, decrees and injunctions of or by any Governmental Authority which are applicable to any condition or use of the Premises, and (b) the provisions of all Authorizations.

Liabilities. As defined in Section 24.18 of the Prime Lease.

Permitted Exceptions. Any liens or encumbrances on the Premises of the

following character:

- (a) The lien of any Taxes assessed but not yet due and payable;
- (b) Mortgages of record; and
- (c) All declarations, covenants, conditions, restrictions, reservations, rights, rights-of-way,

easements and other matters of record affecting the Premises or the use of the Premises now or in the future in force and applicable.

Person. An individual, a corporation, a company, a voluntary association,

a partnership, a trust, an estate, an unincorporated organization or other entity or a Governmental Authority.

Prime Lease. The Lease attached hereto as Exhibit C entered into between

SubLandlord, as tenant, and Andover Mills Realty Limited Partnership, as landlord, dated October 1, 1993, as amended by Amendment No. 1 to Lease dated February 10, 1994, Amendment to Lease dated May 19, 1995, Amendment No. 2 to Lease dated June 7, 1995, and Notice of Exercise of Option dated as of June, 1995.

SubLease. This document, all exhibits and riders attached and referred to

in this document and all amendments and supplements to this document and the exhibits and riders hereto.

SubLease Term. The period beginning on the Term Commencement Date and

ending on the SubLease Termination Date.

SubLease Termination Date. The earliest to occur of (a) July 31, 2002, (b)

the date of the termination of this SubLease by SubLandlord as the result of an Event of Default, (c) the date of the termination of this SubLease under Article 16 (Damage or Destruction) or Article 17 (Eminent Domain) or Section 3.04 of this SubLease, or (d) the date of the termination of the Prime Lease.

Taking. The taking or condemnation of title to or of possession or use of

all or any part of the Premises by a Governmental Authority for any public use or purpose, or any proceeding or negotiations which might result in such a taking, or any sale or lease in lieu of such a taking.

Taxes. As defined in Section 6.1 of the Prime Lease.

Unavoidable Delays. Acts of God, strikes, lock outs, labor troubles,

inability to procure materials, failure of power, riots and insurrection, acts of the public enemy, wars, earthquakes, hurricanes and other natural disasters, fires, explosions, any act, failure to act or default of the other party to this SubLease or any other reason (except lack of money) beyond the control of any party to this SubLease.

ARTICLE 2

PREMISES

SECTION 2.01 - PREMISES. SubLandlord hereby leases the Premises to

SubTenant, and SubTenant hereby takes the Premises from SubLandlord, subject to the provisions of this SubLease and the Permitted Exceptions. The Premises are to be leased in "as is" condition except as improved by SubLandlord as set forth in Exhibit D. SubLandlord makes no representations or warranties, express or

implied, with respect to the condition of the Premises. Except to construct the improvements set forth in Exhibit D, SubLandlord shall have no obligation

whatsoever to make or pay the cost of any alterations, improvements, or repairs to the Premises, including without limitation, any improvement or repair required to comply with any Legal Requirements (including the Americans with Disabilities Act of 1990).

SECTION 2.02 - PARKING. SubTenant shall have the use of the parking spaces

depicted in Exhibit B, which use shall be subject to the provisions of Section

15.2 of the Prime Lease. If the parking spaces designated as "A-75" through "A-79" in Exhibit B are no longer available, SubLandlord agrees to provide to

SubTenant an equal number of parking spaces, which may change from time to time

upon written notice to SubTenant, in the area labeled "A" in Exhibit B.

SECTION 2.03 - FURNITURE. SubLandlord shall provide SubTenant with the

fixtures, furniture and equipment set forth in Exhibit E (the "Furniture") for

the SubLease Term. SubLandlord warrants and represents that it has good and marketable title to the Furniture.

ARTICLE 3

TERM

SECTION 3.01 - TERM COMMENCEMENT. The SubLease Term will begin on the

latest of the following to occur (the "Term Commencement Date"): (i) October 1, 1996, (ii) the date the Landlord consents to this SubLease or (iii) the date the improvements to the Premises to be constructed by SubLandlord as set forth in

Exhibit D (not including the "entry area" shown on Exhibit A) are "Substantially

Complete" as that term is defined in Exhibit F. The commencement of the

SubLease Term is not contingent upon the construction of the improvements to the "entry area" being Substantially Complete. SubTenant shall not occupy the "entry area" until such time as the construction of the improvements to the "entry area" is Substantially Complete.

SECTION 3.02 - TERMINATION. The SubLease Term will end on the SubLease

Termination Date.

SECTION 3.03 - ESTOPPEL CERTIFICATE. If either the Term Commencement Date

occurs on a date other than October 1, 1996 or the SubLease Termination Date occurs on a date other than July 31, 2002, SubLandlord and SubTenant agree to execute a certificate in the form of the estoppel certificate referred to in Section 25.02 or such other comparable form as either may reasonably request, establishing the Term Commencement Date or the SubLease Termination Date, as applicable.

SECTION 3.04 - EARLY TERMINATION. SubLandlord and SubTenant shall each

have the option to terminate this SubLease on February 1, 2000 by providing written notice to the other party at the address set forth in Section 1.01. SubTenant shall not have the right to terminate this SubLease under this Section 3.04 if it is in Default at the time the notice is provided or becomes in Default after the notice is provided and such Default is not cured within ten (10) days of written notice of such Default, unless SubTenant is using its best efforts to cure such Default and such Default is cured within sixty (60) days of written notice of such Default and this SubLease has not been terminated. If such Default is cured within ten (10) days after written notice of such Default, SubTenant shall retain its early termination rights under this Section 3.04. Any written notice terminating this SubLease under this Section 3.04 must be received by the other party no later than 5:00 p.m. on July 31, 1999. Time is of the essence with respect to providing the required notice under this Section 3.04.

ARTICLE 4

RENT

SECTION 4.01 - RENT. SubTenant agrees to pay SubLandlord the amounts set

forth below as rent (the "Rent") for the Premises, without offset or deduction and without previous demand, in monthly installments in advance on the first day of each calendar month during the SubLease Term, prorated for any portion of a month, except that the first monthly installment is due upon execution of this SubLease:

| | |
|--|-----------------------|
| Term Commencement Date through March 31, 1997 | \$32,934.00 per month |
| April 1, 1997 through September 30, 1999 | \$41,630.88 per month |
| October 1, 1999 through July 31, 2002 | \$43,649.34 per month |

SubTenant shall mail each monthly installment of Rent to:

FTP Software, Inc.
P.O. Box 4526
Boston, MA 02212-4526
Attn: Chief Financial Officer;

or to such other address as SubLandlord shall designate in writing from time to time.

It is the intention of the parties that Rent payable by SubTenant under this SubLease shall be a "gross rent"; i.e., except for SubTenant's obligations under Section 8.01 and Section 9.07, SubTenant shall have no obligation to make any payments to SubLandlord on account of operating costs, taxes, insurance or other charges payable by SubLandlord to Landlord or on account of any other services provided by SubLandlord to the Premises for SubTenant.

SECTION 4.02 - SECURITY DEPOSIT. Upon execution of this SubLease,

SubTenant will deposit with SubLandlord a security deposit in the amount of \$83,262.00 as security for the performance of SubTenant's obligations under this SubLease. If SubTenant fails to perform its obligations under this SubLease within the grace period herein provided, SubLandlord may, but shall not be obligated to, apply all or any part of the security deposit for the payment of any amounts due or any other Liabilities which SubLandlord may incur as a result. If any part of the security deposit is so applied, SubTenant shall, within five (5) days after written demand, deposit cash with SubLandlord in an amount sufficient to restore the security deposit to its previous amount. SubLandlord need not keep the security deposit separate from its general funds. SubLandlord need not deposit the security deposit into an interest bearing account. If SubTenant complies with all of the provisions of this SubLease, the unused portion of the security deposit will be returned to SubTenant after the SubLease Termination Date and the surrender of possession of the Premises to SubLandlord in the condition required by this SubLease within thirty (30) days after the written request of SubTenant is received by SubLandlord. SubLandlord shall not be obligated to pay to SubTenant any interest earned on the security deposit.

ARTICLE 5

USE OF PREMISES

SECTION 5.01 - USE RESTRICTED. The Premises may be used for the Permitted

Use and for no other purpose.

ARTICLE 6

OPERATING EXPENSES

SECTION 6.01 - OPERATING EXPENSES. SubLandlord agrees to contract for all

services, materials, labor, commodities and utilities required for the operation, maintenance and ordinary repair of the Premises, other than for (i) services for cleaning the Premises which shall be the SubTenant's obligation, and (ii) SubTenant's maintenance obligations set forth in Section 9.07.

ARTICLE 7

IMPROVEMENTS

SECTION 7.01 - IMPROVEMENTS BY SUBTENANT. SubTenant agrees not to make any

Improvements before or during the SubLease Term, except according to plans and specifications previously approved by the SubLandlord and, if required by the Prime Lease, Landlord in writing. All Improvements will become part of the Premises and the property of SubLandlord upon their completion or installation, unless otherwise agreed upon in writing by SubTenant and SubLandlord. SubLandlord agrees to notify SubTenant in writing prior to the commencement of construction whether the Improvements must be removed or must remain at the Premises. Before making any Improvements, SubTenant agrees to secure all necessary Authorizations and to deliver to SubLandlord a statement of the names of all its contractors and subcontractors and the estimated cost of all labor and material to be furnished by them. The contractors shall all be of SubTenant's choice and shall be approved by SubLandlord in writing and, if required by the Prime Lease, Landlord, prior to the commencement of any work. SubTenant agrees to pay promptly when due the entire cost of any work done on the Premises by SubTenant, its agents, employees, or independent contractors, and not to cause or permit any liens, security interests or encumbrances for labor or materials performed or furnished in connection with its work to attach to the Premises and immediately to discharge any such liens, security interests

and encumbrances which may attach. All construction work done by SubTenant, its agents, employees or independent contractors shall be done in a

good and workmanlike manner and in compliance with all Legal Requirements and Insurance Requirements and the provisions of the Prime Lease. SubLandlord may inspect the work at any time.

ARTICLE 8

UTILITIES AND SERVICES

SECTION 8.01 - UTILITIES. SubTenant agrees to pay the full cost of all

electricity furnished to the Premises promptly when due directly to the company or other Person providing the electricity. If the electricity furnished to the Premises is not separately metered or charged, SubTenant will pay SubTenant's Proportionate Share of such costs directly to SubLandlord as Additional Rent, either monthly when Rent is due hereunder, or within ten (10) days after receipt of SubLandlord's bill, at SubLandlord's option. For the purposes of this SubLease, SubTenant's Proportionate Share shall be as set forth in Exhibit SK-2 and detailed in Exhibit SK-3, attached. SubLandlord is not responsible for any Liabilities incurred by SubTenant nor may SubTenant abate rent, terminate this SubLease or pursue any other right or remedy against SubLandlord, SubLandlord's Affiliates, Landlord, or Landlord's Affiliates, as a result of any termination or malfunction of any utilities or utility systems or other services furnished to the Premises.

ARTICLE 9

SUBTENANT'S COVENANTS

SECTION 9.01 - PAY RENT. SubTenant agrees to pay when due all Rent and all

charges for utilities rendered to the Premises or to SubTenant.

SECTION 9.02 - INJURY TO THE PREMISES, ETC. SubTenant will not (i) injure

or deface the Premises, (ii) permit to be used or stored in the Premises any inflammable fluids or chemicals not reasonably related to the Permitted Use, nor (iii) permit any nuisance or use of the Premises which is improper, offensive or contrary to any Permitted Use, Legal Requirement or Insurance Requirement. In any event, SubTenant shall comply with the terms of the Prime Lease.

SECTION 9.03 - OCCUPANCY OF THE PREMISES. SubTenant agrees to occupy the

Premises from the Term Commencement Date until the SubLease Termination Date for the Permitted Use only. SubTenant agrees not to abandon the Premises during the SubLease Term. SubTenant agrees to comply with all of the obligations of Tenant under the Prime Lease to the extent such provisions are applicable to the Premises, including without limitation Exhibit E to the Prime Lease, "rules and

regulations", except (i) for SubLandlord's obligation to pay rent and other charges to Landlord, and (ii) to the extent such obligations are required to be performed by SubLandlord pursuant to this SubLease.

SECTION 9.04 - SAFETY. SubTenant agrees to procure all Authorizations

required because of SubTenant's use of the Premises and to perform at its expense any work required under any Authorization because of such use, it being understood that the provisions of this Section may not be construed to broaden in any way the Permitted Use.

SECTION 9.05 - EQUIPMENT. SubTenant agrees (i) not to place a load upon

the floor of the Premises or to move any safe or other heavy equipment into, about or out of the Premises which causes damage to the Premises or the Building and (ii) to repair promptly all damage caused by the installation or moving of its equipment. SubTenant agrees to isolate and maintain all of SubTenant's equipment which causes or may cause airborne or structure-borne vibration or noise so as to eliminate such vibration or noise.

SECTION 9.06 - PAY TAXES. SubTenant agrees to pay promptly when due all

Taxes upon personal property owned by the SubTenant (including, without limitation, fixtures and equipment) on the Premises.

SECTION 9.07 - MAINTENANCE. SubTenant agrees to, at all times during the

term of this SubLease, and at its own expense, (i) clean and maintain the
Premises and the Furniture in good repair and condition (except for ordinary
wear and tear and damage from fire and other casualty), (ii) maintain all
Improvements in good repair

and condition (except for ordinary wear and tear and damage from fire and other casualty), (iii) use all reasonable precautions to prevent waste, damage or injury to any part of the Premises, and (iv) repair all damage to any part of the Premises, Furniture or the Building caused by SubTenant or any of its Affiliates. SubLandlord agrees to replace all light bulbs at the Premises at no cost to SubTenant. SubLandlord's maintenance obligations are set forth in the Prime Lease. SubLandlord shall have no obligation to perform any of the repairs required to be performed by Landlord under the Prime Lease.

SubLandlord agrees upon the written request of SubTenant from time to time to use due diligence and all reasonable efforts to cause Landlord to furnish such services as are required by the Prime Lease, expend sums and observe and perform such obligations as are required by the Prime Lease, all at SubTenant's sole cost and expense. SubTenant agrees to indemnify SubLandlord and hold SubLandlord harmless from and against all loss, cost, damage, expense, or liability (including, without limitation, attorneys' fees and disbursements) which SubLandlord may incur by reason of any action brought by SubTenant against Landlord.

SECTION 9.08 - REDELIVERY. On the SubLease Termination Date, SubTenant

agrees to leave the Premises and surrender possession of the Premises and, except as set forth herein, the Furniture to SubLandlord free of (i) all tenants or occupants claiming through or under SubTenant, and (ii) all liens encumbrances, restrictions or reservations caused or consented to by SubTenant. SubTenant agrees to surrender the Premises, including all Improvements, to SubLandlord broom clean and in good condition and repair, except for ordinary wear and tear and damage from fire and other casualty, with all damage resulting from removal of SubTenant's personal property, including without limitation, its furniture, furnishings and equipment, repaired at SubTenant's expense to SubLandlord's reasonable satisfaction. SubTenant's personal property remaining at the Premises after the SubLease Termination Date shall be deemed abandoned and SubLandlord may keep, sell, destroy or dispose of it without any Liabilities to SubTenant. If this SubLease is not terminated prior to July 31, 2002 by either party, and the SubTenant is not in Default on July 31, 2002, SubTenant may retain the Furniture set forth in Exhibit D following the end of this

SubLease.

ARTICLE 10

COMPLIANCE WITH REQUIREMENTS

SECTION 10.01 - LEGAL REQUIREMENTS. SubTenant agrees, at its own expense,

promptly to observe and comply with all Legal Requirements relating to it or the Premises.

SECTION 10.02 - CONTESTS. SubTenant has the right to contest by

appropriate legal proceedings diligently conducted in good faith, in the name of SubTenant or SubLandlord (if legally required) or both (if legally required), without expense or liability to SubLandlord, the validity or application of any Legal Requirement. If compliance with the terms of any Legal Requirement may legally be delayed pending the prosecution of any such proceeding, SubTenant may delay compliance until the final determination of the proceeding.

SECTION 10.03 - ENVIRONMENTAL LEGAL REQUIREMENTS. SubTenant agrees not to

cause or permit any Hazardous Substances to be released on or into the Premises or the Building, or into the air, or to be introduced into the sewage or other waste disposal system serving the Premises. SubTenant agrees not to generate, store or dispose of Hazardous Substances on the Premises or the Building. SubTenant agrees to notify SubLandlord of any incident which would require the filing of a notice under any Legal Requirement. SubTenant agrees to provide SubLandlord with such information of which it is aware required by Governmental Authorities as SubLandlord may reasonably request from time to time with respect to compliance with this Section. In any event, SubTenant shall comply with all the terms of the Prime Lease. SubLandlord agrees that, as between SubLandlord and SubTenant, SubLandlord and not SubTenant shall be responsible for any damages or liability incurred by SubTenant on account of the existence on the Premises, or release or discharge on or from the Premises, of Hazardous Materials to the extent caused by an act, omission, fault, negligence or misconduct of SubLandlord or its Affiliates.

ARTICLE 11

COVENANT AGAINST LIENS

SECTION 11.01 - NO LIENS. SubTenant agrees not to create or permit to be

created any lien on the Premises or the Building and to discharge any lien on the Premises or the Building arising out of any act or omission by it, including, but not limited to, any tax, mechanic's, laborer's or materialman's lien or lien arising under Massachusetts General Laws, Chapter 21E. The provisions of this Section 11.01 may not be construed to limit SubTenant's right to encumber any equipment installed on the Premises which SubTenant has the right to remove on the SubLease Termination Date.

SECTION 11.02 - DISCHARGE. If any lien is filed against the Premises or

the Building as a result of any act or omission by SubTenant, SubTenant agrees to cause the lien to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise, within sixty (60) days after (i) SubTenant has actual notice that it is filed, or (ii) final judgment in favor of the holder of the lien.

ARTICLE 12

ACCESS TO PREMISES

SECTION 12.01 - ACCESS. SubLandlord, Landlord, or their agents and

designees shall have the right, but not the obligation, to enter the Premises at all reasonable times during ordinary business hours, after reasonable notice except in the case of an emergency in which case they may enter the Premises at any time and without any notice, to (a) examine the Premises, (b) make necessary repairs and replacements, (c) insure compliance with Legal Requirements and (d) exhibit the Premises to (1) prospective purchasers and mortgagees at any time during the SubLease Term and (2) prospective tenants after (i) August 1, 1999 if either party terminates this SubLease pursuant to Section 3.04 and (ii) in any event, after January 1, 2002.

ARTICLE 13

INDEMNITY

SECTION 13.01 - SUBTENANT'S INDEMNITY. Except to the extent waived by

SubLandlord under the provisions of Section 15.02, SubTenant agrees to indemnify SubLandlord and its Affiliates against all Liabilities, including reasonable attorneys' fees, which may be imposed upon or incurred by any of them by reason of any of the following occurrences:

(a) any act or omission on the Premises by SubTenant or any of its Affiliates, contractors, licensees or invitees;

(b) any use, non-use, possession, occupation, condition, operation, maintenance or management of the Premises by SubTenant or any of its Affiliates;

(c) any failure on the part of SubTenant to comply with any of its obligations under this SubLease, whether or not such failure constitutes a Default or Event of Default; or

(d) the termination of this SubLease as a result of any act or omission of SubTenant or any of its Affiliates.

SECTION 13.02 - CLAIMS BY SUBLANDLORD. If any proceeding is brought

against SubLandlord or any of its Affiliates arising out of any occurrence described in Section 13.01, upon notice from SubLandlord SubTenant agrees, at its expense, to defend the proceeding using legal counsel reasonably satisfactory to SubLandlord or, if applicable, SubTenant's insurer, provided that SubTenant has not been prejudiced in any way by failure or delay on the part of SubLandlord to give SubTenant prompt notice of the proceeding.

SECTION 13.03 - SUBLANDLORD'S LIABILITY. Except for its intentional acts

or negligence or the intentional acts or negligence of its agents, contractors or licensees SubLandlord will not be responsible or liable for any loss, damage or injury to the Premises or to any Person or property at any time on the Premises.

ARTICLE 14

INSURANCE

SECTION 14.01 - SUBTENANT'S INSURANCE. SubTenant agrees to provide, at its

expense, and to keep in force:

- (a) Comprehensive general public liability insurance (Broad Form CGL), with contractual liability, cross-liability and fire legal liability endorsements, protecting against all claims and liabilities for personal, bodily and other injuries, death and property damage including, without limitation, broad form property damage insurance, automobile and personal injury coverage. This insurance also will insure SubTenant's indemnities pursuant to this SubLease. The amount of this insurance will not be less than \$5,000,000.00 combined single limit for each occurrence;
- (b) "All risk" casualty insurance, covering all of SubTenant's property and all alterations made by or for the benefit of SubTenant. This insurance will be for full replacement value;
- (c) Worker's compensation insurance in statutory limits, and employer's liability insurance of not less than \$1,000,000.00;
- (d) Builder's risk insurance (completed value form) for work required of or permitted to be made by SubTenant. The amount of this insurance will be reasonably satisfactory to SubLandlord and Landlord and must be obtained before any work is begun; and
- (e) Such greater limits and such other insurance and in such amounts as may from time to time be reasonably required by SubLandlord against other insurable hazards which at the time are customarily insured against in the case of buildings similarly situated and used.

All policies of insurance carried by SubTenant must: name Landlord and SubLandlord and their designees as additional insureds; be from insurers acceptable to Landlord and SubLandlord; and state that the insurers will not cancel, fail to renew or modify the coverage without first giving Landlord and SubLandlord and any other additional insureds at least thirty (30) days prior written notice.

SubTenant will supply copies of each paid-up policy or certificate from the insurer certifying that the policy has been issued and complies with all of the terms of this Article. The policies or certificates shall be delivered to SubLandlord within thirty (30) days after this SubLease is signed, and renewals shall be provided to SubLandlord not less than thirty (30) days before the expiration of the coverage. SubLandlord always may inspect and copy any of the policies. SubTenant waives any right to recover against SubLandlord and Landlord under the Prime Lease for Liabilities in connection with any type of cause or peril which is supposed to be insured against under the insurance policies required to be maintained by SubTenant.

SECTION 14.02 - SUBLANDLORD'S AND LANDLORD'S INSURANCE. SubTenant will not

undertake, fail to undertake, or permit any acts or omissions which will in any way increase the cost of, or violate, void, or make voidable, all or any portion of any insurance policies maintained by SubLandlord or Landlord, unless SubLandlord and Landlord gives its specific written consent and SubTenant pays all increased costs directly to SubLandlord or Landlord, as the case may be, on demand.

ARTICLE 15

WAIVER OF SUBROGATION

SECTION 15.01 - WAIVER OF SUBROGATION. If available, all insurance

policies carried by either party covering the Premises will contain a clause or endorsement expressly waiving any right on the part of the insurer to make any claim against the other party. The parties agree to use their best efforts to insure that their policies will include such waiver clause or endorsement.

SECTION 15.02 - WAIVER OF RIGHTS. SubLandlord and SubTenant each waive all

claims, causes of action and rights of recovery against the other and their respective partners, agents, officers and employees, for any loss or damage to persons, property or business which occurs on or about the Premises and results from any of the perils insured under any policy of insurance maintained by SubLandlord and/or SubTenant, regardless of cause. This waiver includes the negligence and intentional wrongdoing of either such party and their respective agents, officers and employees but is effective only to the extent of recovery, if any, under any such policy. This waiver will be void to the extent that any such insurance is invalidated by reason of this waiver.

ARTICLE 16

DAMAGE AND RESTORATION

SECTION 16.01 - DAMAGE AND RESTORATION. If the Premises are damaged by

fire or other casualty, the provisions of the Prime Lease shall be applicable, except that the term "Tenant" as used therein shall be deemed to refer to SubTenant and the term "Premises" as used therein shall be deemed to refer to the Premises as defined herein.

ARTICLE 17

EMINENT DOMAIN

SECTION 17.01 - TAKING. If there is a Taking, the provisions of the Prime

Lease shall be applicable, except that the term "Tenant" as used therein shall be deemed to refer to SubTenant and the term "Premises" as used therein shall be deemed to refer to the Premises as defined herein.

ARTICLE 18

QUIET ENJOYMENT

SECTION 18.01- SUBLANDLORD'S COVENANT. SubLandlord covenants that if

SubTenant pays the Rent and Additional Rent and performs all of its obligations under this SubLease, SubTenant will, subject to the Permitted Exceptions, quietly have and enjoy the Premises during the SubLease Term, without interference from any Person claiming through SubLandlord.

SECTION 18.02- SUBORDINATION AND ATTORNMEN. SubLandlord agrees to comply

with the provisions of the Prime Lease regarding subordination and attornment.

ARTICLE 19

DEFAULTS; EVENTS OF DEFAULT

SECTION 19.01 - DEFAULTS. The following shall (i) if any requirement for

notice or lapse of time or both has not been met, constitute Defaults, and (ii) if there are no such requirements or if such requirements have been met, constitute Events of Default:

(a) SubTenant's abandoning the Premises;

(b) The failure of SubTenant to pay Rent when due, and the continuation of the failure for a period of five (5) days;

(c) The failure of SubTenant to perform any of its obligations under this SubLease, other than its obligation to pay Rent, and the continuation of the failure for a period of ten (10) days after the receipt of written notice, unless SubTenant is using its best efforts to perform such obligation in which case SubTenant shall have fifty-eight (58) days to perform such obligation; provided that, with respect to any obligation of SubTenant to be performed under this SubLease, wherever the Prime Lease grants to SubLandlord a specified number of days to perform its obligations under the Prime Lease, except as otherwise expressly provided herein, SubTenant shall have two (2) fewer days to perform the obligation even if written notice has not been provided to SubTenant;

(d) The occurrence with respect to SubTenant of one or more of the following events: the dissolution, termination of existence (other than by merger or consolidation), insolvency, appointment of a receiver for all or substantially all of its property, the making of a fraudulent conveyance or the execution of an assignment or trust mortgage for the benefit of creditors by it, or the filing of a petition of bankruptcy or the commencement of any proceedings by or against it under a bankruptcy, insolvency or other law relating to the relief or the adjustment of indebtedness, rehabilitation or reorganization of debtors; provided that if any such petition or commencement is involuntarily made against it and is dismissed within forty-five (45) days of the date of such filing or commencement, such events will not constitute an Event of Default; or

(e) The issuance of any execution or attachment against SubTenant or any other occupant of the Premises as a result of which the Premises are taken or occupied by a Person other than SubTenant.

ARTICLE 20

SUBLANDLORD'S REMEDIES; DAMAGES ON DEFAULT

SECTION 20.01 - SUBLANDLORD'S REMEDIES. SubLandlord may, at its option, at

any time, whenever an Event of Default exists, give SubTenant a notice terminating this Sublease on the date specified in the notice. On the date specified in the notice, this SubLease and all rights of SubTenant under this SubLease will terminate without further notice or lapse of time, but SubTenant shall continue to be liable to SubLandlord as provided in this Article 20.

SECTION 20.02 - POSSESSION. Upon any termination of this SubLease as the

result of an Event of Default, SubTenant agrees to leave the Premises peacefully and surrender possession to SubLandlord as provided in Section 9.08. SubLandlord may, at any time after any termination of this SubLease and without further notice, enter the Premises and recover possession by summary proceedings or any other manner permitted by law, and may remove SubTenant and all other Persons and property from the Premises and may hold the Premises and the right to receive all rental income from the Premises.

SECTION 20.03 - RIGHT TO RELET. At any time after termination of this

SubLease as a result of an Event of Default, SubLandlord may relet all or any part of the Premises in the name of SubLandlord or otherwise, for such term (which may be greater or less than the period which would otherwise have constituted the balance of the SubLease Term) and on such conditions (which may include concessions or free rent) as SubLandlord, in its reasonable discretion, may determine. SubLandlord shall not be liable for failure to relet the Premises or for failure to collect any rent due upon any such reletting.

SECTION 20.04 - SURVIVAL OF COVENANTS, ETC. If this SubLease is terminated

as provided in Section 20.01:

(a) The termination will not relieve SubTenant of its obligations under this SubLease which obligations shall survive the termination; and

(b) At the time of the termination, SubTenant shall pay to SubLandlord the Rent up to the date of termination. SubTenant also agrees to pay to SubLandlord, the Rent that would have been payable under this SubLease by SubTenant from the date of the termination through July 31, 2002.

ARTICLE 21

NOTICES

SECTION 21.01 - NOTICES AND COMMUNICATIONS. All notices, demands, requests

and other communications provided for or permitted under this SubLease must be in writing and delivered by hand, courier, overnight, registered or certified mail, postage prepaid, to the following addresses:

(a) if to SubLandlord, to the attention of its Chief Financial Officer, at the address stated in Section 1.01 (or at such other address as SubLandlord designates in writing to SubTenant), with a copy to such Persons as SubLandlord designates in writing to SubTenant, or

(b) if to SubTenant, at the address stated in Section 1.01 as well as the Premises (or at such other address as SubTenant designates in writing to SubLandlord), with a copy to Palmer & Dodge, LLP, One Beacon Street, Boston, MA 02108, Attn: William Williams, II, and such other Persons as SubTenant designates in writing to SubLandlord.

Any communication provided for in this SubLease shall become effective only upon receipt by the Person to whom it is given, unless mailed by overnight, registered or certified mail, in which case it will be deemed to be received on (i) the second Business Day after being sent or (ii) the day of its receipt, if a Business Day, or the next succeeding Business Day, whichever of (i) or (ii) is the earlier.

ARTICLE 22

WAIVERS

SECTION 22.01 - NO WAIVERS. Any failure of SubLandlord or SubTenant to

complain of any act or omission on the part of the other no matter how long the act or omission may continue, shall not be deemed to be a waiver by either SubLandlord or SubTenant of any of its rights under this SubLease. No waiver by SubLandlord or SubTenant at any time, expressed or implied, of the breach of any provision of this SubLease shall be deemed a waiver of a breach of any other provision of this SubLease or a consent to any subsequent breach of the same or any other provision. No acceptance by SubLandlord of any partial payment will constitute an accord or satisfaction but will only be deemed a partial payment on account. None of SubTenant's obligations under this SubLease and no Default or Event of Default may be waived or modified except in writing by SubLandlord.

ARTICLE 23

ASSIGNMENT AND SUBLETTING

SECTION 23.01 - ASSIGNMENT AND SUBLETTING. SubTenant shall not voluntarily

or involuntarily or by operation of law, sell, convey, mortgage, subject to a security interest, license, assign, sublet or otherwise transfer or encumber the whole or any part of the Premises or allow anyone other than SubTenant's employees to occupy the Premises without SubLandlord's and Landlord's prior written consent in each instance. SubTenant shall comply with the notice provisions applicable to Tenant under Section 18.2 of the Prime Lease, except that the notice shall be sent to SubLandlord. SubTenant may withhold its consent if Landlord does not consent to the same but will not unreasonably withhold its consent if Landlord consents to the same. Notwithstanding such consent, SubTenant shall remain liable to SubLandlord for the payment of Rent and for the full performance of the covenants and conditions of this SubLease. If the total rent on any permitted assignment or sublease is in excess of the Rent required hereunder, the SubTenant and SubLandlord shall divide such excess equally. Neither SubLandlord nor SubTenant shall record this SubLease.

ARTICLE 24

RIGHT OF FIRST REFUSAL

SECTION 24.01 - RIGHT OF FIRST REFUSAL. Subject to the terms of the Prime

Lease, SubLandlord grants to SubTenant a right of first refusal to lease any portion of the Building currently occupied by SubLandlord. If SubLandlord desires to lease any of the space it currently occupies in the Building during the SubLease Term, SubLandlord shall first give SubTenant prior written notice of such intention (the "Offer Notice"). The Offer Notice shall list the space being offered for rent and the rental price. For a period of fifteen (15) days following receipt by SubTenant of the Offer Notice, SubTenant shall have the option to lease said space at the price and on the terms stated in the Offer Notice. SubTenant may exercise its option by written notice to SubLandlord given at any time within thirty (30) days with occupancy commencing within sixty (60) days of receipt of the Offer Notice. If SubTenant does not timely exercise this option or fails to timely occupy such space after timely exercise of this option, SubLandlord may lease such space to any other party, upon any terms it desires, and SubTenant shall be deemed to have waived its right of first refusal with respect to such space for the remainder of the SubLease Term. If an Offer Notice is provided to SubTenant for a portion of a floor in the Building currently occupied by SubLandlord and SubTenant does not timely exercise the option or fails to timely occupy such space after timely exercise of the option, SubTenant shall be deemed to have waived its right of first refusal for the entire space on that floor in the Building. Any sublease pursuant to this Section 24.01 is subject to obtaining Landlord's prior written consent to the same.

ARTICLE 25

GENERAL PROVISIONS

SECTION 25.01 - UNAVOIDABLE DELAYS. If SubLandlord or SubTenant is

delayed, hindered in or prevented from the performance of any act required under this SubLease by reason of Unavoidable Delays, then performance of the act will be excused for the period of the delay and the period for the performance of the act will be extended for a period equivalent to the period of the delay.

SECTION 25.02 - ESTOPPEL CERTIFICATES. SubTenant agrees to deliver to

SubLandlord within ten (10) Business Days after the Term Commencement Date an estoppel certificate specifying the Term Commencement Date and such other information relating to this SubLease as SubLandlord may reasonably request. Within ten (10) Business Days after receipt of a request from SubLandlord, SubTenant agrees to deliver to any prospective purchaser, mortgagee or other Person specified in the request an estoppel certificate in such form as the purchaser, mortgagee or other Person may reasonably prescribe. Each estoppel certificate will be (i) signed by a duly authorized representative of SubTenant, (ii) delivered without charge to SubLandlord and (iii) binding as to its contents.

SECTION 25.03 - HOLDING OVER. If SubTenant occupies the Premises after the

SubLease Termination Date, SubTenant shall be a tenant-at-sufferance only, subject to all of the terms and provisions of this SubLease at two hundred percent (200%) of the then effective Rent. Such a holding over, even if with the consent of SubLandlord, shall not constitute an extension or renewal of this SubLease.

SECTION 25.04 - GOVERNING LAW. This SubLease and the performance of its

provisions will be governed and construed under the laws of the Commonwealth of Massachusetts.

SECTION 25.05 - PARTIAL INVALIDITY. If any provision of this SubLease or

its application to any Person or circumstance is held to be invalid or unenforceable, the remainder of this SubLease, or the application of the provision to Persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected, and each provision of this SubLease shall be enforced to the fullest extent permitted by law.

SECTION 25.06 - INTERPRETATION. The section headings used in this SubLease

are for reference and convenience only, and do not enter into the interpretation of this SubLease. References herein to a Section shall be deemed to be references to the specified Section of this SubLease, except as otherwise stated in such reference. This SubLease may be signed in several counterparts, each of which is an original, but all of which constitute a single instrument. The term "SubLandlord" means the holder of "Tenant's" interest under the Prime Lease. In the event of any assignment or transfer of the "Tenant's" interest under the Prime Lease, which

assignment or transfer may occur at any time during the SubLease Term, as between SubLandlord and SubTenant, SubLandlord shall be and hereby is entirely relieved of all covenants and obligations of SubLandlord hereunder accruing from and after the date of such transfer or assignment, and it shall be deemed and construed, without further agreement between the parties hereto, that any transferee has assumed and shall carry out all covenants and obligations thereafter to be performed by SubLandlord hereunder. SubLandlord shall transfer and deliver any then remaining security of SubTenant to the transferee of the "Tenant's" interest under the Prime Lease, and SubLandlord shall be discharged from any further liability with respect thereto upon SubTenant's receipt of written notice from SubLandlord of such transfer. The liability of SubLandlord under this SubLease is limited to SubLandlord's interest in the Premises, and no individual officer, trustee or member will have any liability to SubTenant or any other Person on account of this SubLease.

SECTION 25.07 - CONSENTS. Except for the consent of SubLandlord required

under Article 7, consents or approvals required or requested of either SubLandlord or SubTenant shall not be unreasonably withheld or delayed, except that SubLandlord may withhold its consent or approval if Landlord withholds its consent or approval.

SECTION 25.08 - CHANGES. This SubLease may not be changed or terminated

orally or in any manner other than by an agreement in writing and signed by the party against whom enforcement of the change or termination is sought.

SECTION 25.09 - BINDING EFFECT. The provisions of this SubLease are

binding on and inure to the benefit of SubLandlord, its successors and assigns, and SubTenant, its successors and assigns and any Person claiming under SubTenant.

SECTION 25.10 - TIME OF THE ESSENCE. Any provision of law or equity to the

contrary notwithstanding, it is agreed that time is of the essence in this SubLease.

SECTION 25.11 - PRIME LEASE. SubLandlord represents and warrants to

SubTenant that the Prime Lease is in effect. Notwithstanding any provision contained in this SubLease to the contrary, if the Prime Lease is terminated, this SubLease shall terminate immediately. This SubLease is and at all times shall be subject to and subordinate to the Prime Lease and the rights of Landlord thereunder. SubLandlord shall not commit or permit any of its Affiliates to commit on the Premises any act or omission which shall violate any term or condition of the Prime Lease. SubTenant hereby expressly assumes and agrees: (i) to comply with all provisions of the Prime Lease which are required to be performed by SubTenant hereunder; and (ii) to perform all obligations on the part of the "Tenant" to be performed under the terms of the Prime Lease with respect to the Premises (other than Tenant's obligations to pay rent and other charges to Landlord) during the term of this SubLease which are not required to be performed by SubLandlord hereunder. In the event of a conflict between the provisions of this SubLease and the Prime Lease, as between SubLandlord and SubTenant, the provisions of this SubLease shall control. Further, as between SubLandlord and SubTenant, SubLandlord shall be responsible for the performance of the obligations of "Tenant" under the Prime Lease if and only to the extent that such obligations are not required to be performed by SubTenant under this SubLease.

SubLandlord's only obligations under the Prime Lease with respect to the Premises are to use due diligence and reasonable efforts (at SubTenant's sole cost and expense) to cause Landlord to perform its responsibilities and to make those payments of all rent and other charges due to Landlord thereunder, which payments SubLandlord hereby agrees to make, provided, however, that SubTenant makes timely payments to SubLandlord of all rent and other charges payable under this SubLease.

SubLandlord hereby represents and warrants that: (a) SubLandlord is Tenant under the Prime Lease; (b) SubLandlord has submitted to SubTenant a true and complete copy of the Prime Lease, inclusive of all amendments, riders, exhibits and related agreements; (c) to the best of SubLandlord's knowledge, SubLandlord has not received any notice of default under the Prime Lease from Landlord; and (d) SubLandlord is not insolvent and is able to pay its debts and other obligations as they become due, it has not declared bankruptcy or filed a petition to take advantage of any law relating to bankruptcy, insolvency, or reorganization, winding up or composition or adjustment of debt and it has no present intention of doing so, no such proceeding has been commenced against

SubLandlord seeking such relief and SubLandlord has no knowledge that any such proceeding is threatened.

SubLandlord agrees not to amend or modify (nor agree to amend or modify) the Prime Lease in any way that would increase SubTenant's obligations or diminish SubTenant's rights under this SubLease without SubTenant's prior written consent, nor do anything that would cause the Prime Lease to be canceled, terminated or forfeited prior to its scheduled expiration date or that would increase SubTenant's obligations or diminish SubTenant's rights under this SubLease.

SECTION 25.12 - BROKER'S COMMISSION. SubLandlord agrees to pay a

commission in connection with this SubLease to CRF Partners, Inc., who shall make a distribution to Lynch, Murphy, Walsh & Partners, Inc. SubTenant shall defend, indemnify and hold harmless SubLandlord and Landlord from any claim for a commission by Lynch, Murphy, Walsh & Partners, Inc._or any other agent, broker, salesman or finder as a consequence of said party's actions or dealings with such agent, broker, salesman, or finder.

EXECUTED as a sealed instrument as of the Date of SubLease specified in Section 1.01.

SUBLANDLORD:

SUBTENANT:

FTP SOFTWARE, INC.

CMG INFORMATION SERVICES, INC.

By: /s/ John J. Warnock

Its Duly Authorized Officer
Name:
Title:

By: /s/ Andrew J. Hajducky III

Its Duly Authorized Officer
Name:
Title:

CMG INFORMATION SERVICES, INC.

AMENDMENT NO. 2 TO EMPLOYMENT AGREEMENT

October 25, 1996

Mr. David S. Wetherell
30 Kettredge Road
North Andover, MA 01845

Dear Dave:

This Amendment No. 2 to Employment Agreement amends the Employment Agreement between you and CMG Information Services, Inc. (the "Company") dated as of November 9, 1993 (the "Employment Agreement"). In connection with the amendment of the Employment Agreement, you and the Company agree as follows:

1. Amendment of Employment Agreement. Section 4 of the Employment

Agreement is hereby deleted in its entirety and replaced with the following which is effective as of October 25, 1996, with respect to the entire 300,000 share option (all numbers are split-adjusted as of October 25, 1996):

4. Grant of Non-Qualified Stock Option. On November 9, 1993, the

Company granted to you a non-qualified stock option (the "Option") under its 1986 Stock Option Plan (the "Plan") to purchase, under the conditions herein stated, up to three hundred thousand (300,000) shares of the Company's Common Stock at an option price of \$4.00 per share (amended in January of 1994 to be \$2.67 per share), which prices were determined by the Compensation Committee to be fair market value on November 9, 1993 and in January, 1994, respectively. This Option was granted by the Company pursuant to, and subject to the terms and conditions of, the Plan (which terms and conditions are hereby incorporated herein by reference as fully as if set forth herein, except if contrary or supplementary terms are set forth in this Employment Agreement, in which case such terms shall take precedence over those in the Plan). As of October 25, 1996, this Option shall become exercisable as follows:

(a) This Option shall become exercisable as to 30,000 shares on each November 1 of the Term of Employment upon the attainment of annual performance milestones determined from time to time by the Compensation Committee in its sole discretion with respect to the performance of the Company and its affiliates during the prior fiscal year, and, in any event, shall become exercisable (to the extent not previously exercisable) as to the first 150,000 shares on November 1, 1998, and as to the second 150,000 shares on November 1,

2003, if you are employed by the Company on such dates. As of November 1, 1996, this Option is exercisable as to ninety thousand (90,000) shares.

(b) In the event of termination of the Term of Employment pursuant to subparagraph (iv) of paragraph 2 above, or in the event the Term of Employment is not extended for an additional five years as provided in Section 2, the Option shall become exercisable on the date of such termination as to a percentage of 30,000 shares of the Company's Common Stock for each July 31 following the date of such termination up to and including July 31, 2003 (but not to exceed three such dates or 90,000 shares), equal to the percentage of the maximum number of options which could have become exercisable represented by the number of those options which have become exercisable, after giving effect to the following paragraph (c). For example, if your employment were terminated on September 1, 1999, with a remaining term hereof ending July 31, 2003, and your Option had as of that date (after giving effect to the following subparagraph (c)) become exercisable for 60% of the aggregate maximum of 180,000 shares as to which it might have become exercisable with respect to the fiscal years ending prior to the termination date, it would become exercisable under this clause (b) for 60% of 30,000 shares, or 18,000 shares for a maximum of three of the July 31sts following termination, --
or an additional 54,000 shares (all numbers are split-adjusted as of October 25, 1996).

(c) In the event that your Term of Employment hereunder is terminated pursuant to subparagraph (iv) of paragraph 2 during August, September or October of any year, the portion of the Option becoming exercisable on the succeeding November 1 shall be deemed to have become exercisable on the date of such termination.

Whenever any formula determined by the Compensation Committee relating to the vesting of your Option results in a fraction of a share, it shall be rounded up to the next full share.

This Option shall terminate as to the unexercised portion thereof on November 30, 2003; or on November 30, 1998, if the Term of Employment is not extended for five years under Section 2.

The Company may, if so determined in the sole discretion of its Board of Directors, pay to you cash for the purpose of enabling you to provide for your income tax obligation arising out of any vesting or exercise of your Option, in lieu of such number of shares (or a portion thereof) becoming vested or issued to you upon such exercise, all as the Board of Directors may determine. Cash paid to you hereunder shall be in an amount equal to the fair

market value of shares retained following exercise or cancelled following vesting, valued on the date on which the amount of tax is determined. You shall also have the benefit of Articles 14 and 17 of the Plan.

2. Conforming Amendments. The reference to paragraph 4(g) in Section 5 of

the Employment Agreement shall be changed to a reference to paragraph 4(c). The reference to paragraph 4(f) of the Employment shall be changed to a reference to paragraph 4(b).

3. Continuing Effect of Employment Agreement. Except as amended hereby,

the Employment Agreement shall remain in effect according to its original terms.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized representative and its corporate seal to be hereunto affixed and you have hereunto set your hand and seal this 25th day of October, 1996.

CMG INFORMATION SERVICES, INC.

By: /s/ Gregory M. Avis

Gregory M. Avis

By: /s/ John A. McMullen

John A. McMullen

ACCEPTED AND AGREED TO:

/s/ David S. Wetherell

David S. Wetherell

REVOLVING CREDIT AND TERM LOAN AGREEMENT

Dated as of October 24, 1996

among
SALESLINK CORPORATION,
CMG INFORMATION SERVICES
PACIFIC DIRECT MARKETING CORP.

THE FIRST NATIONAL BANK OF BOSTON
AND THE OTHER LENDING
INSTITUTIONS SET FORTH ON SCHEDULE 1 HERETO

and

THE FIRST NATIONAL BANK OF BOSTON
as Agent

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REVOLVING CREDIT AND TERM LOAN AGREEMENT

This REVOLVING CREDIT AND TERM LOAN AGREEMENT (this "Agreement") is made as of October 24, 1996, by and among (a) SALESLINK CORPORATION (the "Borrower"), a Massachusetts corporation having its principal place of business at 25 Drydock Avenue, Boston, Massachusetts 02210, (b) CMG INFORMATION SERVICES, INC. (the "Parent Guarantor"), a Delaware corporation having its principal place of business at 187 Ballardvale St., Suite B110, Wilmington, Massachusetts 01887-7000, (c) PACIFIC DIRECT MARKETING CORP., a California corporation having its principal place of business at 8852 Thornton Avenue, Newark, California (the "Subsidiary Guarantor"), (d) THE FIRST NATIONAL BANK OF BOSTON, a national banking association, and the other lending institutions listed on Schedule 1

hereto and (e) THE FIRST NATIONAL BANK OF BOSTON as agent for itself and such other lending institutions.

I. DEFINITIONS:

Certain capitalized terms are defined below:

Accounts: All rights of the Borrower or any of its Subsidiaries to any payment
- -----
of money for 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.

Acquisition: The acquisition by the Borrower on the Acquisition Closing Date of
- -----
all of the outstanding shares of capital stock of the Subsidiary Guarantor pursuant to the Acquisition Documents.

Acquisition Closing Date: The first date on which the conditions set forth in
- -----
the Stock Purchase Agreement have been satisfied and the Acquisition has occurred.

Acquisition Documents: Collectively, the Stock Purchase Agreement and all
- -----
agreements and documents required to be entered into or delivered pursuant thereto or in connection with the Acquisition, each in the form delivered to the Agent on the Acquisition Closing Date.

Adjustment Date: The first day of the month immediately following the month in

which a Compliance Certificate is to be delivered by the Borrower to the Agent
pursuant to (S)9.1(a)(iv).

Agent: The First National Bank of Boston 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.

Applicable Margin: For each period commencing on an Adjustment Date through the

date immediately preceding the next Adjustment Date (each a "Rate Adjustment
Period"), the Applicable Margin shall be the applicable margin set forth below
with respect to the Borrower's Leverage Ratio, as determined for the fiscal
period of the Borrower and its Subsidiaries ending immediately prior to the
applicable Rate Adjustment Period:

| LEVERAGE RATIO ----- | BASE RATE | LIBOR RATE |
|---|----------------|----------------|
| | ----- LOANS | ----- LOANS |
| ----- | ----- | ----- |
| Greater than or equal to 2.00:1.00 | .50% | 2.00% |
| Less than 2.00:1.00 but greater than or equal to 1.50:1.00 | .25% | 1.75% |
| Less than 1.50:1.00 | 0% | 1.50% |

Notwithstanding the foregoing, (a) for Loans outstanding during the period
commencing on the Closing Date through the date immediately preceding the first
Adjustment Date to occur after the fiscal quarter ending January 31, 1997, the
Applicable Margin shall be at the highest Applicable Margin set forth above and
(b) if the Borrower fails to deliver any Compliance Certificate pursuant to
(S)9.1(a)(iv) hereof, then, for the period commencing on the next Adjustment
Date to occur

subsequent to such failure through the date immediately following the date on which such Compliance Certificate is delivered, the Applicable Margin shall be the highest Applicable Margin set forth above.

Assignment and Acceptance: See (S)13.

- - - - -

Banks: FNBB 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)13.

Base Rate: The higher of (a) the annual rate of interest announced from time to

- - - - -

time by FNBB at its head office as it's "base rate" and (b) one-half of one percent (1/2%) above the Federal Funds Effective Rate.

Base Rate Loans: Revolving Credit Loans and all or any portion of the Term Loan

- - - - -

bearing interest calculated by reference to the Base Rate.

Borrower: See the preamble.

- - - - -

Business Day: Any day on which banking institutions in Boston, Massachusetts,

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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

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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.

Cash Equivalents: Collectively, (a) negotiable certificates of deposit and

bankers' acceptances, maturing in one hundred eighty (180) days or less from the date of issue, or demand deposit or money market accounts, with any commercial bank or trust company which is organized under the laws of the United States or of any state thereof and which has, or which is owned by a bank holding company which has, total assets in excess of \$1,000,000,000; (b) any securities (i) which are commonly known as "commercial paper"; (ii) which are due and payable within two hundred seventy (270) days from the date of issue; (iii) which have been issued by any corporation organized under the laws of the United States or of any state thereof or issued by a foreign corporation if such securities are denominated in United States dollars; and (iv) the ratings for which, at the time of the acquisition thereof by the Parent Guarantor, are not less than "P-1" if rated by Moody's Investors Services, Inc., and not less than "A-1" if rated by Standard and Poor's Corporation; (c) any marketable direct or unconditionally guaranteed obligations of the United States or any agency thereof which mature within one (1) year from the date of acquisition thereof; and (d) solely for purposes of determining compliance with (S)9.3(f)(i), to the extent the Swap Program has been entered into, is in full force and effect and no defaults have occurred and are continuing thereunder, securities held by the Parent Guarantor which are eligible pursuant to the terms of the Swap Program to be included in such Swap Program but are not, as of the date of determination, so included.

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)8 have

been satisfied and any Revolving Credit Loans and the Term Loan are to be made or the Letter of Credit is to be issued hereunder.

Commitment: Collectively, the Revolving Credit Loan Commitment, the Term Loan

Commitment and the Letter of Credit Commitment.

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)9.1(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 Current Assets: All assets of any Person and its Subsidiaries on a

consolidated basis that in accordance with GAAP are properly classified as
current assets, excluding bad debts and inventory not yet saleable.

Consolidated Current Liabilities: All liabilities of any Person and its

Subsidiaries on a consolidated basis payable on demand or maturing within one
(1) year from the date as of which current liabilities are to be determined, and
such other liabilities that in accordance with GAAP are properly classified as
current liabilities.

Consolidated Net Income (or Deficit): The consolidated net income (or deficit)

of any Person and its Subsidiaries, after deduction of all expenses, taxes and
other proper charges, determined in accordance with GAAP.

Consolidated Operating Cash Flow: For any period, the amount equal to (a) the

sum of (i) EBITDA for such period, minus (b) cash payments for all taxes paid

during such period, minus (c) capital expenditures made during such period to

the extent permitted hereunder.

Consolidated Total Debt Service: For any Reference Period, all scheduled

mandatory payment of principal on Indebtedness of any Person and its
Subsidiaries made or required to be made in that period, plus the Consolidated
Total Interest Expense of such Person and its Subsidiaries for that period.

Consolidated Total Interest Expense. For any period, the aggregate amount of

interest required to be paid or accrued by any Person and its Subsidiaries
during such period on all Indebtedness of such Person 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 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.

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 or the Term 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 or all or any portion of the
Term Loan is converted or continued in accordance with (S)3.5.

EBITDA: With respect to any fiscal period, an amount equal to the sum of (a)

Consolidated Net Income for such period, plus (b) to the extent deducted in the

calculation of such Person's Consolidated Net Income and without duplication,
(i) depreciation and amortization for such period, plus (ii) other noncash

charges, including, without limitation, in process research and development
expenses or charges, made in calculating Consolidated Net Income for such
period, plus (iii) tax expense for such period, plus (iv) Consolidated Total

Interest Expense paid or accrued during such period, all as determined in
accordance with GAAP.

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 United 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)10 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.

FNBB: The First National Bank of Boston, a national banking association, in its
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individual capacity.

GAAP: Generally accepted accounting principles consistent with those adopted by
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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 each of the Guarantors and 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.

Guarantors: The Parent Guarantor and the Subsidiary Guarantor.
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Guaranty: The Guaranty, dated or to be dated on or prior to the Closing Date,
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made by each of the Guarantor and the Subsidiary Guarantor in favor of the Banks and the Agent pursuant to which each such Guarantor guaranties to the Banks and the Agent the payment and performance of the Obligations in form and substance satisfactory to the Banks and the Agent.

Indebtedness: In respect of any entity, all obligations, contingent and
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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, including in any event and whether or not so classified, but without duplication with respect liabilities under swap arrangements 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 or letters of credit.

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 or all or any

relevant portion of the Term Loan, (a) initially, the period commencing on the Drawdown Date of such 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, 3, 6 or, if available, 12 months; and (b) thereafter each period commencing on the last day of the immediately preceding Interest Period applicable to such 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 (if comprising a Revolving Credit Loan) or the Term Loan Maturity Date (if comprising the Term Loan or a portion thereof) shall end on the Revolving Credit Loan Maturity Date or, as the case may be, the Term Loan Maturity Date.

Investment Equivalents: Cash Equivalents of the Parent Guarantor, plus, without

duplication, the amount of any "Allowable Instruments" (as such term is defined in the Investment Policy) which are set forth in the Parent Guarantor's quarterly and annual statements as "cash equivalents", provided, however, Allowable Instruments shall not include any securities issued by a corporation unless such corporation's securities are publically traded and there are no restrictions on transferability or sale imposed on the holder thereof.

Investment Policy: The Borrower's investment policy set forth on Schedule 2

hereto.

Letter of Credit: See (S)4.1(a).

Letter of Credit Application: See (S)4.1(a).

Letter of Credit Commitment. With respect to each Bank, the amount set forth on

Schedule 1 hereto as the amount of such Bank's commitment to participate in the

issuance, extension and renewal of the Letter of Credit for the account of the Borrower or the Parent Guarantor with a Maximum Drawing Amount under such Letter of Credit of not more than \$7,500,000 in the aggregate, as the same may be reduced from time to time or terminated hereunder.

Letter of Credit Fee: See (S)4.6.

Letter of Credit Maturity Date: October 24, 1997, as the same shall be extended

on a yearly basis at the Agent's and the Banks' discretion.

Letter of Credit Participation: See (S)4.1(d).

Letter of Credit Participation: See (S)4.1(d).

Leverage Ratio: As at any date of determination, the ratio of (a) Total Funded

Indebtedness of the Borrower and its Subsidiaries outstanding on such date to
(b) the EBITDA of the Borrower and its Subsidiaries for the period of four (4)
consecutive fiscal quarters (treated as a single accounting period) ending on
such date; provided, however, for purposes of (S)9.3(b) hereof, for the fiscal

quarter ending (1) January 31, 1997, the Leverage Ratio shall be calculated as
twenty-five percent (25%) of Total Funded Indebtedness of the Borrower and its
Subsidiaries outstanding on such date to the EBITDA of the Borrower and its
Subsidiaries for such one quarter period; (2) April 30, 1997, the Leverage Ratio
shall be calculated as fifty percent (50%) of Total Funded Indebtedness of the
Borrower and its Subsidiaries outstanding on such date to the EBITDA of the
Borrower and its Subsidiaries for such two quarter period; and (3) July 31,
1997, the Leverage Ratio shall be calculated as seventy-five percent (75%) of
Total Funded Indebtedness of the Borrower and its Subsidiaries outstanding on
such date to the EBITDA of the Borrower and its Subsidiaries for such three
quarter period.

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 and all or any portion of the Term

Loan 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, the Notes, the Letter of Credit Application,

the Letter of Credit and the Guaranty, in each case as from time to time amended
or supplemented.

Loan Request: See (S)2.1.

Loans: The Revolving Credit Loans and the Term Loan.

Majority Banks: As of any date, (a) if there are only two (2) Banks, Majority

Banks shall mean 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 Guarantors, the Borrower and its other
Subsidiaries taken together or material impairment of the ability of the
Guarantors, the Borrower or any of its other Subsidiaries to perform its
obligations hereunder or under any of the other Loan Documents.

Maximum Drawing Amount: The maximum aggregate amount from time to time that the

beneficiary may draw under the outstanding Letter of Credit, as such aggregate
amount may be reduced from time to time pursuant to the terms of the Letter of
Credit.

Notes: The Term Note and the Revolving Credit Note.

Obligations: All indebtedness, obligations and liabilities of the Guarantors,
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the Borrower and its other 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 Loans made or Reimbursement Obligations
incurred or any of the Notes, Letter of Credit Application, Letter of Credit, or
arising or incurred in connection with any interest rate protection arrangements
contemplated by (S)9.1(g) or any documents, agreements or instruments executed
in connection therewith, or other instruments at any time evidencing any
thereof.

Parent Guarantor: See the preamble.
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Person: Any individual, corporation, partnership, trust, unincorporated
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association, business or other legal entity, and any government or any
governmental agency or political subdivision thereof.

Rate Adjustment Period: See the definition of Applicable Margin.
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Record: See (S)3.2 hereof.
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Reference Period: The period of four (4) consecutive fiscal quarters (or such
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shorter period of one, two or three consecutive fiscal quarters as has elapsed
since the Closing Date), treated as a single accounting period.

Reimbursement Obligation: The Borrower's and, in the event the Letter of Credit
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is issued for the account of the Parent Guarantor, the Parent Guarantor's joint
and several obligation to reimburse the Agent and the Banks on account of any
drawing under the Letter of Credit as provided in (S)4.2.

Requirement of Law: In respect of any person or entity, any law, treaty, rule,
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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 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.

Revolving Credit Loan Maturity Date: October 1, 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(d) hereof.

Seller: Each of the Stockholders (as such term is defined in the Stock Purchase

Agreement) set forth on Schedule 1 to the Stock Purchase Agreement.

Seller Note: The unsecured promissory note from the Borrower to the Seller in

the original principal amount of \$7,500,000 issued pursuant to the Acquisition,
which promissory note shall be in form and substance satisfactory to the Banks
and the Agent, and any replacement note issued pursuant to Sections 1.4 and 1.6
to the Stock Purchase Agreement, so long as such replacement note is on terms
satisfactory to the Agent.

Stock Purchase Agreement: The Stock Purchase Agreement dated as of October 24,

1996 among the Borrower, each of the Guarantors, and the Sellers, together with
all schedules, exhibits and annexes thereto.

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.

Subsidiary Guarantor: Pacific Direct Marketing Corp., a California corporation

and, immediately upon the effectiveness of the Acquisition, a wholly-owned
Subsidiary of the Borrower.

Swap Program: The "total rate of return swap program" or such similar

"monitization" program entered into between the Parent Guarantor and FNBB on terms and conditions substantially as agreed to on the Closing Date.

Term Loan: The term loan made or to be made by the Banks to the Borrower on the

Closing Date in the aggregate principal amount of \$5,500,000 pursuant to (S)3 hereof.

Term Loan Commitment: With respect to each Bank, the amount set forth on

Schedule 1 hereto as the amount of such Bank's commitment to make the Term Loan

to the Borrower on the Closing Date.

Term Loan Maturity Date: October 1, 2001.

Term Note: See (S)3.2 hereof.

Total Commitment: The sum of the Commitments of the Banks, as in effect from

time to time.

Total Revolving Credit Commitment: The sum of the Revolving Credit Commitments

of the Banks, as in effect from time to time. As of the Closing Date the Total Revolving Credit Commitment is \$2,500,000.

Total Funded Indebtedness: All Indebtedness of the Borrower and its

Subsidiaries for borrowed money, purchase money Indebtedness and with respect to Capitalized Leases, determined on a consolidated basis in accordance with GAAP.

Unencumbered Cash: The sum of (a) a Person's cash held in demand deposit

accounts or interest bearing accounts at any financial institution, which cash is not subject to any Lien, and which has not been advanced by FNBB plus (b) a

Person's Cash Equivalents which are not subject to any Lien, plus (c) solely for

purposes of determining compliance with (S)9(f)(ii) hereof, a Person's Investment Equivalents which are not subject to any Lien.

Uniform Customs: With respect to any Letter of Credit, the Uniform Customs and

Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 or any successor version thereto adopted by the Agent in the ordinary course of its business as a letter of credit issuer and in effect at the time of issuance of such Letter of Credit.

Unpaid Reimbursement Obligation: Any Reimbursement Obligation for which the

Borrower or the Parent Guarantor, as the case may be, does not reimburse the Agent and the Banks on the date specified in, and in accordance with, (S)3.2(a).

II. REVOLVING CREDIT FACILITY.

A. 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 Revolving Credit Loan 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 Total Revolving Credit Commitment. Revolving Credit Loans shall be in the minimum aggregate amount of \$100,000 or an integral multiple thereof.

B. 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)8 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) Notwithstanding the notice requirement set forth in (S)2.2(a) and the minimum Revolving Credit Loan provisions contained in (S)2.1 and (S)2.2(a), each of the Banks agrees to make Revolving Credit Loans to the Borrower sufficient to pay to the Banks any Unpaid Reimbursement Obligations on the date on which such Reimbursement Obligations become Unpaid Reimbursement Obligations. The Borrower hereby requests and authorizes the Banks to make from time to time such Revolving Credit Loans by means of paying Unpaid Reimbursement Obligations. The Borrower acknowledges and agrees that the making of such Revolving Credit Loans shall, in each case, be subject in all respects to the provisions of this Agreement, including, without limitation, the limitations set forth in (S)2.1(a) and the requirements of the applicable conditions in (S)8. All actions taken by the Agent and the Banks pursuant to the provisions of this (S)2.2(c) shall be conclusive and binding on the Borrower.

(d) 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.

C. CONVERSION OPTIONS.

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. 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.

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.

D. 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 on the last day of the Interest Period with respect thereto at the rate per annum equal to the Base Rate plus the

Applicable Margin; (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 per annum equal to the LIBOR Rate for such Interest Period plus the Applicable Margin; 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 to the sum of (a) the Base Rate, and (b) four percent (4%) above the Margin 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).

E. 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 outstanding amount of the Revolving Credit Loans exceeds the Total Revolving Credit Commitment, then the Borrower shall immediately pay the amount of such excess to the Agent for the respective accounts of the Banks for application, first to any Unpaid Reimbursement Obligation; second, to the Revolving Credit Loans; and third, to provide to the Agent cash collateral for Reimbursement Obligations as contemplated by (S)4. Each payment of any Unpaid Reimbursement Obligation or prepayment of Revolving Credit Loans shall be allocated among the Banks, in proportion, as nearly as practicable, to each Reimbursement Obligation or (as the case may be) 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. If at any time the aggregate amount of all outstanding Revolving Credit Loans shall exceed the Revolving Credit Loan Commitment, the Borrower shall immediately pay the amount of such excess to the Agent for application to the Revolving Credit Loans. The Borrower may elect to reduce or terminate the Revolving Credit Loan 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 Revolving Credit Loan Commitment following such reduction or termination.

F. FUNDS FOR REVOLVING CREDIT LOAN.

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)8 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. 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

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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.

III. THE TERM LOAN.

A. COMMITMENT TO LEND.

Upon the terms and subject to the conditions of this Agreement, each Bank agrees to lend to the Borrower on the Closing Date the amount of its Commitment Percentage of the principal amount of \$5,500,000.

B. THE TERM NOTES.

The Term Loan shall be evidenced by separate promissory notes of the Borrower in form and substance satisfactory to the Agent (each a "Term Note"), dated the Closing Date and completed with appropriate insertions. One Term Note shall be payable to the order of each Bank in a principal amount equal to such Bank's Commitment Percentage of the Term Loan and representing the obligation of the Borrower to pay to such Bank such principal amount or, if less, the outstanding amount of such Bank's Commitment Percentage of the Term Loan, plus interest accrued thereon, as set forth below. The Borrower irrevocable authorizes each Bank to make or cause to be made a notation on each grid attached to such Bank's Term Note (the "Record") reflecting the original principal amount of the Term Loan and, at or about the time of such Bank's receipt of any principal payment on such Term Note, an appropriate notation on such Record reflecting such payment. The aggregate unpaid amount set forth on the Record shall be prima facie evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount on the Record shall not affect the obligations of the Borrower hereunder or under the Term Note to make payments of principal of and interest on the Term Note when due.

C. SCHEDULE OF INSTALLMENT PAYMENTS OF PRINCIPAL OF TERM LOAN.

The Borrower promises to pay to the Agent for the account of the Banks the principal amount of the Term Loan in sixteen (16) consecutive quarterly payments, payable on the last Business Day of each calendar quarter ending within any period set forth below in the amount set forth opposite such period, commencing on January 31,

1998 with a final payment on the Term Loan Maturity Date in an amount equal to the unpaid balance of the Term Loan.

| QUARTER ENDING: ----- | AMOUNT OF EACH PAYMENT ----- |
|-------------------------------------|--|
| January 31, 1997 - October 31, 1997 | \$ 0 |
| January 31, 1998 - October 31, 1998 | \$125,000 |
| January 31, 1999 - October 31, 1999 | \$125,000 |
| January 31, 2000 - October 31, 2000 | \$500,000 |
| January 31, 2001 - July 31, 2001 | \$625,000 |
| Term Loan Maturity Date | Remaining unpaid balance of Term Loan |

D. OPTIONAL PREPAYMENT OF TERM LOAN.

The Borrower shall have the right at any time to prepay the Term Notes on or before the Term Loan Maturity Date, as a whole, or in part, upon not less than five (5) Business Days prior written notice to the Agent, without premium or penalty, provided, that (a) each partial prepayment shall be in the principal

amount of \$100,000 or an integral multiple thereof; (b) no portion of the Term Loan bearing interest at the LIBOR Rate may be prepaid pursuant to this (S)3.4 except on the last day of the Interest Period relating thereto; and (c) each partial prepayment shall be allocated among the Banks, in proportion, as nearly as practicable, to the respective outstanding amount of each Bank's Term Note, with adjustments to the extent practicable to equalize any prior prepayments not exactly in proportion. Any prepayment of principal of the Term Loan shall include all interest accrued to the date of prepayment and shall be applied against the scheduled installments of principal due on the Term Loan in the inverse order of maturity. No amount repaid with respect to the Term Loan may be reborrowed.

F. INTEREST ON TERM LOAN.

1. INTEREST RATES.

So long as no Event of Default is continuing, and except as otherwise provided herein, the Term Loan shall bear interest during each Interest Period relating to all or any portion of the Term Loan at the following rates: (a) to the extent that all or any portion of the Term Loan bears interest during such Interest Period at the Base Rate, the Term Loan or such portion shall bear interest during such Interest Period at the rate per annum equal to the Base Rate plus the Applicable Margin; (b) to the extent that all or any portion of

the Term Loan bears interest during such Interest Period at the LIBOR Rate, the Term Loan or such portion shall bear interest during such Interest Period at the rate per annum equal to the LIBOR Rate for such Interest Period plus the

Applicable Margin. The Borrower promises to pay interest on the Term Loan or any portion thereof outstanding during each Interest Period in arrears on each Interest Payment Date applicable to such Interest Period. 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 to the sum of (a) the Base Rate, and (b) three percent (3%) above the Margin 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. NOTIFICATION BY BORROWER.

The Borrower shall notify the Agent, such notice to be irrevocable, at least three (3) LIBOR Business Days prior to the Drawdown Date of the Term Loan if all or any portion of the Term Loan is to bear interest at the LIBOR Rate. After the Term Loan has been made, the provisions of (S)2.3 shall apply mutatis

mutandis with respect to all or any portion of the Term Loan so that the

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Borrower may have the same interest rate options with respect to all or any portion of the Term Loan as it would be entitled to with respect to the Revolving Credit Loans.

3. AMOUNTS, ETC..

Any portion of the Term Loan bearing interest at the LIBOR Rate relating to any Interest Period shall be in the amount of \$100,000 or an integral multiple thereof. No Interest Period relating to the Term Loan or any portion thereof bearing interest at the LIBOR Rate shall extend beyond the date on which a regularly scheduled installment payment of the principal of the Term Loan is to be made unless a portion of the Term Loan at least equal to such installment payment has an Interest Period ending on such date or is then bearing interest at the Base Rate.

IV. LETTER OF CREDIT FACILITY.

A. LETTER OF CREDIT COMMITMENT.

(a) Subject to the terms and conditions hereof and the execution and delivery by the Borrower or, as the case may be, the Parent Guarantor, of a letter of credit application on the Agent's customary form (a "Letter of Credit Application"), the Agent on behalf of the Banks, in reliance upon the agreement of the Banks set forth in (S)4.1(d) and upon the representations and warranties of the Borrower and the Parent Guarantor contained herein, agrees, in its individual capacity, to issue, extend and renew from time to time from the date hereof until but not including the date which is fourteen (14) days prior to the then scheduled Letter of Credit Maturity Date, for the account of the Borrower, or, at the Borrower's request, for the account of the Parent Guarantor, a standby letter of credit (the "Letter of Credit"), in the form as may be requested by the Borrower or, as the case may be, the Parent Guarantor and agreed to by the Agent; provided, however, that, after giving effect to such

request, the aggregate Maximum Drawing Amount and all Unpaid Reimbursement Obligations shall not exceed \$7,500,000 at any one time. The Letter of Credit shall not be issued, extended or renewed with an expiration date occurring after the then scheduled Letter of Credit Maturity Date;

(b) The Letter of Credit Application shall be completed to the satisfaction of the Agent. In the event that any provision of the Letter of Credit Application shall be inconsistent with any provision of this Agreement, then the provisions of this Agreement shall, to the extent of any such inconsistency, govern;

(c) The Letter of Credit issued, extended or renewed hereunder shall, among other things, provide for the payment of sight drafts for honor thereunder when presented in accordance with the terms thereof and when accompanied by the documents described therein. The Letter of Credit so issued, extended or renewed shall be subject to the Uniform Customs;

(d) Each Bank severally agrees that it shall be absolutely liable, without regard to the occurrence of any Default or Event of Default or any other condition precedent whatsoever, to the extent of such Bank's Commitment Percentage, to reimburse the Agent on demand for the amount of each draft paid by the Agent under each Letter of Credit to the extent that such amount is not reimbursed by the Borrower pursuant to (S)4.2 (such agreement for a Bank being called herein the "Letter of Credit Participation" of such Bank).

(e) Each such payment made by a Bank shall be treated as the purchase by such Bank of a participating interest in the Borrower's Reimbursement Obligation under (S)4.2 in an amount equal to such payment. Each Bank shall share in accordance with its participating interest in any interest which accrues pursuant to (S)4.2.

(f) The parties hereto hereby acknowledge and agree that (i) the Letter of Credit shall be issued solely for the benefit of the Seller to support the Seller Note, (ii) the Maximum Drawing Amount shall be in the aggregate amount of \$7,500,000, and (iii) such Maximum Drawing Amount being automatically reduced commencing July 31, 1997 and on the last day of each succeeding month thereafter for a total of 30 months by the amount (which shall include principal and interest) set forth on Schedule 1 attached to the Seller Note (or, in the case

the original Seller Note is replaced by one or more replacement notes pursuant to Sections 1.4 or 1.6 of the Stock Purchase Agreement, by the amount set forth on Schedule 1 to such replacement note, or, if no such revised Schedule 1 is

attached thereto, by an amount equal to the total amount of such replacement note (which shall include principal and interest) divided by a number which is equal to the remaining installments due on such replacement note) until the Maximum Drawing Amount is zero, provided, however, (a) the aggregate amount of

the Letter of Credit will also decrease by the amount of any reductions in the Base Purchase Price (as such term is defined in the Stock Purchase Agreement) made pursuant to the Stock Purchase Agreement on the date which is the earliest to occur of (i) receipt by the Agent of a

written statement signed by the Borrower or the Parent Guarantor that such a reduction in the Base Purchase Price has been made; (ii) receipt by the Agent of a certified copy of a replacement Seller Note indicating a principal amount of less than principal amount appearing on the most recent Seller Note; or (iii) receipt by the Agent of evidence in form and substance satisfactory to the Agent (which evidence can consist of copies of an audited balance sheet of the Parent Guarantor or the Borrower) evidencing a reduction in the Base Purchase Price; and (b) in the event the Seller delivers to the Agent a written statement signed by the Seller, duly notarized, at least two (2) Business Days prior to the date of any scheduled reduction of the Letter of Credit that the Borrower has failed to make a payment due to the Seller under the Seller Note and the Seller is prohibited from making a draw under the Letter of Credit pursuant to Section 7.6 of the Stock Purchase Agreement, such reduction shall not occur on the date scheduled for such reduction but any subsequent reductions shall, unless a similar notice is delivered in the time set forth above, occur as set forth on Schedule 1 attached hereto.

B. REIMBURSEMENT OBLIGATION OF THE BORROWER.

In order to induce the Agent to issue, extend and renew the Letter of Credit and the Banks to participate therein, each of the Borrower and the Parent Guarantor hereby jointly and severally agrees to reimburse or pay to the Agent, for the account of the Agent or, as the case may be, the Banks, with respect to the Letter of Credit issued, extended or renewed by the Agent hereunder,

(a) except as otherwise expressly provided in (S)4.2(b) and (c), on each date that any draft presented under the Letter of Credit is honored by the Agent, or the Agent otherwise makes a payment with respect thereto, (i) the amount paid by the Agent under or with respect to the Letter of Credit, and (ii) the amount of any taxes, fees, charges or other costs and expenses whatsoever incurred by the Agent or any Bank in connection with any payment made by the Agent or any Bank under, or with respect to, the Letter of Credit;

(b) upon the termination of the Letter of Credit Commitment, or the acceleration of the Reimbursement Obligations with respect to the Letters of Credit in accordance with (S)10 an amount equal to the Maximum Drawing Amount, which amount shall be held by the Agent for the benefit of the Agent and the Banks as cash collateral for all Reimbursement Obligations.

Unless funded by a Revolving Credit Loan pursuant to (S)2.2(c)(i), each such payment shall be made to the Agent at the Agent's Head Office in immediately available funds. Interest on any and all amounts remaining unpaid by the Borrower or the Parent Guarantor under this (S)4.2 and not required to be funded by a Revolving Credit Loan pursuant to (S)2.2(c)(i) at any time from the date such amounts become due and payable (whether as stated in this (S)4.2, by acceleration or otherwise) until payment in full (whether before or after judgment) shall be payable to the Bank on demand at the rate specified in (S)2.2 following an Event of Default.

C. LETTER OF CREDIT PAYMENTS.

If any draft shall be presented or other demand for payment shall be made under the Letter of Credit, the Agent shall notify the Borrower of the date and amount of the draft presented or demand for payment and of the date and time when it expects to pay such draft or honor such demand for payment. If the Borrower fails to reimburse the Agent as provided in (S)4.2 on or before the date that such draft is paid or other payment is made by the Agent, the Agent may at any time thereafter notify the Banks of the amount of any such Unpaid Reimbursement Obligation. No later than 3:00 p.m. (Boston time) on the Business Day next following the receipt of such notice, each Bank shall make available to the Agent, at the Agent's Head Office, in immediately available funds, such Bank's Commitment Percentage of such Unpaid Reimbursement Obligation, together with 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 equal to such Bank's Commitment Percentage of such Unpaid

Reimbursement Obligation, times (c) a fraction, the numerator of which is the

number of days that elapse from and including the date the Agent paid the draft presented for honor or otherwise made payment to the date on which such Bank's Commitment Percentage of such Unpaid Reimbursement obligation shall become immediately available to the Agent, and the denominator of which is 360. The responsibility of the Bank to the Borrower, the Parent Guarantor and the Banks, as the case may be, shall be only to determine that the documents (including each draft) delivered under the Letter of Credit in connection with such presentment shall be in conformity in all material respects with the Letter of Credit.

D. OBLIGATIONS ABSOLUTE.

Each of the Borrower's and the Parent Guarantor's joint and several obligations under

this (S)4 shall be absolute and unconditional under any and all circumstances and irrespective of the occurrence of any Default or Event of Default or any condition precedent whatsoever or any setoff, counterclaim or defense to payment which the Borrower or the Parent Guarantor may have or have had against the Agent, any Bank or the beneficiary of the Letter of Credit. Each of the Parent Guarantor and the Borrower further agrees with the Agent and the Banks that the Agent and the Banks shall not be responsible for, and the Reimbursement Obligations shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrower, the beneficiary of the Letter of Credit or any financing institution or other party to which the Letter of Credit may be transferred or any claims or defenses whatsoever of either the Parent Guarantor or the Borrower against the beneficiary of the Letter of Credit or any such transferee. The Agent and the Banks shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with the Letter of Credit. Each of the Parent Guarantor and the Borrower agrees that any action taken or omitted by the Agent or any Bank under or in connection with the Letter of Credit and the related drafts and documents, if done in good faith, shall be binding upon the Borrower and the Parent Guarantor and shall not result in any liability on the part of the Agent or any Bank to the Borrower or the Parent Guarantor.

E. RELIANCE BY ISSUER.

To the extent not inconsistent with (S)4.4, the Agent shall be entitled to rely, and shall be fully protected in relying upon, the Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper person or entity and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Majority Banks as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all case be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Majority Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks and all future holders of a Letter of Credit Participation.

F. 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 charges 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, plus the Agent's customary issuance, amendment and

other administrative processing fees, such Letter of Credit Fee (but not such issuance, amendment or administrative fee) to be for the accounts of the Banks in accordance with their respective Commitment Percentages.

V. CHANGES IN CIRCUMSTANCES, ETC.

A. 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.

B. 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 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)5.2, 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.

C. 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, the Loans or the Letters of Credit 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 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 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 Note with respect to any Loan or the Letter of Credit, 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.

D. CERTIFICATE.

A certificate setting forth any additional amounts payable pursuant to (S)5.3 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.

E. 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, (S)2.3 or (S)3.5 or (c) the making of any payment of a LIBOR Rate Loan or the making of any conversion of any such 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.

VI. FEES AND PAYMENTS.

Contemporaneously with execution and delivery of this Agreement, the Borrower shall pay to the Agent a closing fee in the amount of three eighths of one percent (3/8%) of the Commitment. 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 Revolving Credit Loan

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 Revolving Credit 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 or any Letter of Credit Fees payable hereunder shall be made by the Bank on the basis of actual days elapsed and on a 360-day year.

VII. REPRESENTATIONS AND WARRANTIES.

Each of the Borrower and the Guarantors represents and warrants to the Banks and the Agent on the date hereof, on the date of any Loan Request, on the date of the request for a Letter of Credit, on each Drawdown Date and on the date on which the Letter of Credit is issued, extended or renewed that:

(a) the Guarantors, the Borrower and each of its other 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 the Guarantors and the Borrower 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 Guarantors, the Borrower and its other Subsidiaries party thereto, enforceable in accordance with its terms;

(c) each of the Guarantors and the Borrower 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 Guarantors and the Borrower 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 Guarantor's and the Borrower's business and are adequate;

(d) the Parent Guarantor has provided to the Agent its audited Financials as at July 31, 1995, and for the fiscal period then ended, and such Financials are complete and correct and fairly present the position of the Parent Guarantor and its Subsidiaries on a consolidated basis as at such date and for such period in accordance with GAAP consistently applied. Each of the Parent Guarantor has also provided to the Agent its projections of the consolidated operations of the Parent Guarantor, the Borrower and the Subsidiary Guarantor for the period from July 31, 1996 through July 31, 1997, and such forecast has been prepared in good faith based upon reasonable assumptions;

(e) since July 31, 1996, there has been no materially adverse change of any kind in the Parent Guarantor, the Borrower or any of its other Subsidiaries which would have a Materially Adverse Effect, and since July 31, 1996 there has been no materially adverse change of any kind in the business or assets to be acquired in the Acquisition which would have, either individually or in the aggregate, a Materially Adverse Effect;

(f) there are no legal or other proceedings or investigations pending or threatened against the Guarantors, the Borrower or any of their 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 Guarantors and the Borrower, including borrowing under this Agreement and the obtaining of Letters of Credit

(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 of the Guarantors nor the Borrower 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) the Borrower is a wholly-owned Subsidiary of the Parent Guarantor, the Borrower has no Subsidiaries other than the Subsidiary Guarantor and neither of the Guarantors nor the Borrower is a party to any partnership or joint venture;

(j) the Borrower has not amended any of the Acquisition Documents in any material respect. Each of the representations and warranties made by the Borrower in any of the Loan Documents or the Acquisition Documents was true and correct in all material respects when made and continues to be true and correct in all material respects on the Closing Date, except to the extent that any of such representations and warranties relate, by the express terms thereof, solely to a date falling prior to the Closing Date, and except to the extent that any of such representations and warranties may have been affected by the consummation of the transactions contemplated and permitted or required by the Loan Documents or the Acquisition;

(k) no representation or warranty made by either of the Guarantors or the Borrower in this Agreement or in any agreement, instrument, document, certificate, statement or letter furnished to the Agent or any Bank by or on behalf of such Guarantor and the Borrower in connection with any of the transactions contemplated by any of the Loan Documents and the Acquisition 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;

(l) to the best of the Borrower's knowledge, each of the representations and warranties of the Sellers and the Subsidiary Guarantor contained in the Stock

Purchase Agreement are true and correct in all material respects as of the Closing Date and the Acquisition Closing Date; and

(m) the proceeds of the Loans shall be used for the Acquisition and for working capital and general corporate purposes of the Borrower and its Subsidiaries. The Borrower or, as the case may be, the Parent Guarantor, will obtain the Letter of Credit solely as credit enhancement for the Seller Note. No portion of any Loan is to be used, and no portion of the Letter of Credit is to be obtained, 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.

VII. CONDITIONS PRECEDENT.

In addition to the making of the foregoing representations and warranties and the delivery of the Loan Documents, the Acquisition 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 Loan or of the Agent or to issue, renew or extend the Letter of Credit to the Borrower or, as the case may be in respect of the Letter of Credit, the Parent Guarantor hereunder, is subject to the satisfaction of the following further conditions precedent:

- (a) each of the representations and warranties of each of the Guarantors and the Borrower to the Agent and the Banks herein, in any of the other Loan Documents 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 Loan or for the Agent to issue the Letter of Credit;

(e) each of the Guarantors and 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 each of the Guarantors and 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 each of the Guarantors and 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 each of the Guarantors and the Borrower, each of the Loan Documents to which each is a party and to give notices and to take action on each of the Guarantor's and the Borrower's behalf under the Loan Documents; (iv) a solvency certificate of each of the Guarantors and 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 each of the Guarantors and the Borrower;

(f) the Borrower shall have paid to the Agent the closing fee and the agent's fee as set forth in (S)6 hereof;

(g) the Agent and the Banks shall have received a draft prepared by KPMG of the Subsidiary Guarantor's consolidated audited Financials for the fiscal year ended July 31, 1996 the results of which shall be satisfactory to the Agent and Banks in all respects;

(h) the Agent and the Banks shall have received an opinion of counsel to the Borrower and the Guarantor satisfactory to the Agent and the Banks;

(i) the Borrower shall have caused the Agent to receive evidence that all of the closing conditions in the Stock Purchase Agreement have been satisfied without recourse to any provision permitting the waiver by any party thereto of any condition, obligation, covenant or other requirement and that the Acquisition shall have been completed pursuant to the Stock Purchase Agreement and otherwise on terms and conditions that are satisfactory to the Agent in all respects. In addition the purchase price of the capital stock acquired pursuant to the Acquisition and all expenditures and transaction costs associated therewith shall not exceed \$17,300,000 in the aggregate, and the Acquisition shall have been completed on terms and conditions that are satisfactory to the Agent in all respects;

(j) the Agent and the Banks shall be satisfied that all information provided to the Agent and the Banks prior to the Closing Date accurately sets forth the cash flow for such period attributable to the assets and business to be acquired in the Acquisition and the Agent and the Banks shall be satisfied with the results of its due diligence;

(k) the Agent and the Banks shall have received evidence satisfactory to the Agent and the Banks that the Borrower has received invested capital in cash in a minimum amount of \$3,000,000 on terms and conditions which are satisfactory to the Agent and the Banks in all respects; and

(l) the Agent and the Banks shall be satisfied with the results of all environmental site assessments performed on all real property owned or leased by the Guarantor and the Borrower.

IX. COVENANTS.

A. AFFIRMATIVE COVENANTS.

Each of the Guarantors and the Borrower agrees that so long as there are any Loans or Letter of Credit outstanding and until the termination of the Commitment and the payment and satisfaction in full of all the Obligations, each of the Guarantors and the Borrower will, and where applicable the Borrower will cause each of its other 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 Parent Guarantor's and the Borrower's audited consolidated and consolidating Financials for such fiscal year, certified by the Parent Guarantor's and the Borrower's accountants, respectfully, and the Parent Guarantor's 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 the Parent Guarantor's and the Borrower's unaudited consolidated and consolidating Financials for such quarter, certified by their respective chief financial officers; (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 Parent Guarantor and the Borrower, unaudited monthly consolidated Financials for such month, certified by their respective chief financial officers; (iv) together with the quarterly and annual audited Financials, a certificate of the Borrower (the "Compliance Certificate") setting forth computations demonstrating compliance with the Parent Guarantor's and 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, and which Compliance Certificate shall include a quarterly (or more frequently, if required by the Agent) detailed report of the Unencumbered Cash of the Parent Guarantor and its Subsidiaries, including a mark to market adjustment of the "Allowable Instruments" included in the calculation of the Investment Equivalent portion of Unencumbered Cash; (v) contemporaneously with the delivery thereof, copies of all accountants' management letters delivered to the Parent Guarantor, the Borrower or any of their Subsidiaries; and (vi) 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 Guarantors' and 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) with to the Borrower and its Subsidiaries, 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 Guarantors or the Borrower or its other Subsidiaries or any material change in any such litigation or proceeding previously reported and (v) claims against any assets or properties of the Guarantors, the Borrower or any such Subsidiaries encumbered in favor of the Agent or any Bank;

(e) use the proceeds of the Loans solely to finance the Acquisition and for working capital purposes of the Borrower and its Subsidiaries, and use the Letter of Credit solely for credit enhancement for the Seller Note, 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;

(g) by not later than ninety (90) days of the Closing Date, purchase an interest rate cap or swap or effect other interest rate protection arrangements for a minimum period of three (3) years applicable to not less than fifty percent (50%) of the Commitment, on terms and conditions satisfactory to the Agent; and

(h) simultaneously with delivery thereof, deliver to the Agent a certified copy of any replacement Seller Note issued by the Company to the Seller pursuant to Sections 1.4 or 1.6 of the Stock Purchase Agreement.

B. NEGATIVE COVENANTS.

Each of the Guarantors and the Borrower agrees that so long as there are any Loans or Letter of Credit outstanding and until the termination of the Commitment and the payment and satisfaction in full of all the Obligations, neither of the Guarantors nor the Borrower will and where applicable the Borrower will not permit its other Subsidiaries to:

(a) create, incur or assume any Indebtedness other than (i) Indebtedness to the Agent and the Banks, (ii) current liabilities of the Guarantors, the Borrower or any Subsidiaries of the Borrower not incurred through the borrowing of money or the obtaining of credit except credit on an open account 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) Indebtedness of the Borrower in respect of interest rate protection arrangements required to be maintained by (S)9.1(g) or in respect of currency swap arrangements so long as such arrangements are in the ordinary course of business and not for speculative purposes; (v) unsecured Indebtedness of the Parent Guarantor not otherwise provided for in this (S)9.2(a) which, when taken together with all such Indebtedness of the Parent Guarantor set forth on

Schedule 9.2(a) does not exceed, in the aggregate, \$5,000,000; (vi) unsecured

Indebtedness of the Borrower and its Subsidiaries not otherwise provided for in this (S)9.2(a) which, when taken together with all such Indebtedness of the Borrower and its Subsidiaries set forth on Schedule 9.2(a) does not exceed, in

the aggregate, \$500,000; and (vii) Indebtedness not included above and listed on

Schedule 9.2(a) hereto;

(b) create or incur any Liens on any of the property or assets of the Guarantors, the Borrower or any of its other 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)9.2(a)(ii), covering only the property so acquired; and (vii) other Liens existing on the date hereof and listed on Schedule 9.2(b) hereto;

(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, and (iii) Subsidiaries which are parties to the Loan Documents or (iv) 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;

(e) become party to a merger or sale-leaseback transaction, or to effect any disposition of assets other than in the ordinary course, 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)9.3 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; (vi) the aggregate purchase price for each acquisition, or a series of related acquisitions, does not exceed \$5,000,000 and the aggregate purchase price of all acquisitions permitted hereunder does not exceed \$10,000,000 during the term of this Agreement; and (vii) the Parent Guarantor shall at all times maintain a majority voting interest in such entity to be acquired;

(f) make any change in or amendment to either of the Guarantors' or the Borrower'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

Guarantors' or Borrower's obligations under the Loan Documents;

(g) the Parent Guarantor will not make any material change in its Investment Policy; and

(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 Parent Guarantor'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 Parent Guarantor if all or any part of such Subsidiary's cash or Investment Equivalents is included as Unencumbered Cash for purposes of compliance with (S)9.3(f)(ii).

C. FINANCIAL COVENANTS.

Each of the Guarantors and the Borrower agrees that so long as there are any Loans or Letter of Credit outstanding and until the termination of the Commitment and the payment and satisfaction in full of all the Obligations, neither of the Guarantors nor the Borrower will and where applicable the Borrower will not permit its other Subsidiaries to:

(a) permit the Borrower to make capital expenditures which in the aggregate and on a consolidated basis which exceed (i) \$1,200,000 in fiscal year 1998, and (ii) \$1,000,000 in any fiscal year thereafter; 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 Leverage Ratio of the Borrower and its Subsidiaries for any fiscal quarter ending during any period described in the table below to be greater than the ratio set forth opposite such period in such table:

| PERIOD ----- | RATIO ----- |
|-------------------------------------|----------------|
| November 1, 1996 - January 31, 1997 | 3.30:1.00 |
| February 1, 1997 - October 31, 1997 | 3.00:1.00 |
| November 1, 1997 - January 31, 1998 | 2.70:1.00 |
| February 1, 1998 - April 30, 1998 | 2.60:1.00 |
| May 1, 1998 - July 31, 1998 | 2.40:1.00 |
| August 1, 1998 - January 31, 1999 | 2.25:1.00 |
| February 1, 1999 - July 31, 1999 | 2.00:1.00 |
| August 1, 1999 - thereafter | 1.50:1.00 |

(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 the ratio set forth opposite such period in such table:

| PERIOD ----- | RATIO ----- |
|-------------------------------------|----------------|
| November 1, 1996 - July 31, 1997 | 2.50:1.00 |
| August 1, 1997 - October 31, 1997 | 2.00:1.00 |
| November 1, 1997 - January 31, 1998 | 1.60:1.00 |
| February 1, 1998 - January 31, 1999 | 1.25:1.00 |
| February 1, 1999 - thereafter | 1.50:1.00 |

(d) permit the ratio of the Borrower's Consolidated Current Assets to Consolidated Current Liabilities at any time, commencing April 30, 1996, to be less than 1.00:1.00.

(e) permit the Borrower's Consolidated Net Income for any fiscal quarter to be less than \$1.00; or

(f) permit (i) the Parent Guarantor's Unencumbered Cash to be less than \$10,000,000 at any time from the Closing Date through November 30, 1996 and \$20,000,000 at any time thereafter; and (ii) the Parent Guarantor's and its Subsidiaries Unencumbered Cash to be less than \$35,000,000 at any time.

X. 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 Loans when the same becomes due;

(b) the Borrower shall fail to pay interest on the Loans, or the Borrower or the Parent Guarantor shall fail to pay any Reimbursement Obligations not funded by a Revolving Credit Loan pursuant to (S)2.2(c), 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) either of the Guarantors or the Borrower shall fail to perform any term, covenant or agreement contained in (S)(S)9.1(a), 9.1(d) through (g), 9.2 and 9.3;

(d) the Guarantors, the Borrower or any other Subsidiary of the Borrower 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 Guarantors, the Borrower or any of its other 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 Guarantors, the Borrower or any of its other 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, to the Seller, 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 Guarantors, the Borrower or any of its other 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 Guarantors, the Borrower or any of its other 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 Guarantors, the Borrower or any of its other Subsidiaries that, together with other outstanding claims and execution actions against the Guarantors, the Borrower and its other Subsidiaries exceeds \$500,000 in the aggregate;

(k) the Parent Guarantor ceases to own legally or beneficially 100% or more of the voting stock of the Borrower or more than 51% of the voting stock of any Subsidiary of the Borrower, and the Borrower ceases to own legally or beneficially 100% or more of the voting stock of Subsidiary Guaranty;

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 Notes and the other Loan Documents and all Reimbursement Obligations 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)10.1(h) or 10.1(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)10.1(h) or (S)10.1(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 Loans to the

Borrower and the Agent shall be relieved of all further obligations to issue, extend or renew the Letter of Credit. 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 Loans and the Agent shall be relieved of all further obligations to issue, extend or renew the Letter of Credit. No termination of the credit hereunder shall relieve the Borrower, the Guarantors or any other of Subsidiaries of the Borrower 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 Loans pursuant to (S)10.1, each Bank, if owed any amount with respect to the Loans or the Reimbursement Obligations, 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

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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 Note or purchaser of a Letter of Credit Participation 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.

XI. 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 or the Guarantors may be applied to or set off following an Event of Default against any principal, interest and any other amounts due from the Borrower or either the Guarantors to the Banks at any time without notice to the Borrower or the Guarantors, or compliance with any other procedure imposed by statute or otherwise, all of which are hereby expressly waived by the Borrower and the Guarantors. 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 Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness

evidenced by all such Notes held by such Bank or constituting Reimbursement Obligations owed to 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 Notes held by, or constituting Reimbursement Obligations owed to, 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 Note or Notes held by, or Reimbursement Obligations owed to, such Bank any amount in excess of its ratable portion of the payments received by all of the Banks with respect to the Notes held by, and Reimbursement Obligations owed to, 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 Notes held by it or Reimbursement obligations owed 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.

XII. THE AGENT.

A. 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.

B. 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 and the Guarantors.

C. 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.

D. NO REPRESENTATIONS.

The Agent shall not be responsible for the execution or validity or enforceability of this Agreement, the Notes, the Letter of Credit, any of the other Loan Documents or any instrument at any time constituting, or intended to constitute, collateral security

for the Notes, or for the value of any such collateral security or for the validity, enforceability or collectability of any such amounts owing with respect to the 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 Guarantors, the Borrower or any of its other 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 Notes or to inspect any of the properties, books or records of the Guarantors, the Borrower or any of its other Subsidiaries. The Agent shall not be bound to ascertain whether any notice, consent, waiver or request delivered to it by the Guarantors, the Borrower or any holder of any of the 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.

E. PAYMENTS.

1. PAYMENTS TO AGENT.

A payment by the Borrower or either of the Guarantors 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

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Banks except as otherwise expressly provided herein or in any of the other Loan Documents.

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 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.

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 Loan or to purchase the Letter of Credit Participation

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or (ii) to comply with the provisions of (S)11 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

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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 and the Guarantors, whether on account of outstanding Loans, Unpaid Reimbursement Obligations, interest, fees or otherwise, to the remaining nondelinquent Banks for application to, and reduction of, their respective pro

rata shares of all outstanding Loans and Unpaid Reimbursement Obligations. The

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Delinquent Bank hereby authorizes the Agent to distribute such payments to the nondelinquent Banks in proportion to their respective pro rata shares of all

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outstanding Loans and Unpaid Reimbursement Obligations. 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 Loans and Unpaid Reimbursement Obligations of the nondelinquent Banks, the Banks' respective pro

rata shares of all outstanding Loans and Unpaid Reimbursement Obligations have

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returned to those in effect immediately prior to such delinquency and without giving effect to the nonpayment causing such delinquency.

F. HOLDERS OF NOTES.

The Agent may deem and treat the payee of any Note or the purchaser of any Letter

of Credit Participation 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.

G. 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)14), and liabilities of every nature and character arising out of or related to this Agreement, the 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.

H. AGENT AS BANK.

In its individual capacity, FNBB shall have the same obligations and the same rights, powers and privileges in respect to its Commitment and the Loans made by it, and as the holder of any of the Notes and as the purchaser of any Letter of Credit Participations, as it would have were it not also the Agent.

I. 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.

J. 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)12.10 it shall promptly notify the other Banks of the existence of such Default or Event of Default.

XIII. ASSIGNMENT AND PARTICIPATION.

A. 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 Loans at the time owing to it, the Notes held by it and its participating interest in the risk relating to any Letters of Credit); 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 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)13.3, be released from its obligations under this Agreement.

B. 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 Guarantors, the Borrower and its other 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)9.1 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;
- (h) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; and
- (i) such assignee acknowledges that it has made arrangements with the assigning Bank satisfactory to such assignee with respect to its pro rata share of Letter

of Credit Fees in respect of the outstanding Letter of Credit.

C. 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 and Letter of Credit Participations purchased by, 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.

D. NEW NOTES.

Upon its receipt of an Assignment and Acceptance executed by the parties to such assignment, together with each 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 Note, a new 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 Note to the order of the assigning Bank in an amount equal to the amount retained by it hereunder. Such new Notes shall provide that they are replacements for the surrendered Notes, shall be in an aggregate principal amount equal to the aggregate principal amount of the surrendered Notes, shall be dated the effective date of such in Assignment and Acceptance and shall otherwise be substantially the form of the assigned Notes. Within five (5) days of issuance of any new Notes pursuant to this (S)13.4, 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 Notes and the legality, validity and binding effect thereof, in form and substance satisfactory to the Banks. The surrendered Notes shall be cancelled and returned to the Borrower.

E. 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 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 or Letter of Credit Fees to which such participant is entitled or extend any regularly scheduled payment date for principal or interest.

F. DISCLOSURE.

Each of the Borrower and the Guarantors 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.

G. ASSIGNEE OR PARTICIPANT AFFILIATED WITH THE BORROWER.

If any assignee Bank is an Affiliate of either the Guarantors or the Borrower, 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)10.1 or (S)10.2, 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 Loans. If any Bank sells a participating interest in any of the Loans or Reimbursement Obligations to a participant, and such participant is either a Guarantor or the Borrower or an Affiliate of either the Guarantors or 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)13.1 or (S)13.2 to the extent that such participation is beneficially owned by either the Guarantors or the Borrower or any Affiliate of either the Guarantors or 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 Loans to the extent of such participation.

H. MISCELLANEOUS ASSIGNMENT PROVISIONS.

Any assigning Bank shall retain its rights to be indemnified pursuant to (S)14 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)13 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 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.

I. ASSIGNMENT BY BORROWER.

Neither of the Guarantors nor Borrower shall 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.

XIV. MISCELLANEOUS.

Each of the Guarantors and 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 Guarantors, the Borrower and its other 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 neither of the Guarantors nor 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, the

rate of interest on the Notes, the term of the Notes, the Commitment amounts and the amount of the fees hereunder, the definition of Majority Banks and this sentence of (S)14 shall not be changed without the written consent of all the Banks, and the amount of the agent's fee and (S)12 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 NOTES ARE CONTRACTS UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL BE CONSTRUED IN ACCORDANCE THEREWITH AND GOVERNED THEREBY. EACH OF THE GUARANTORS AND 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. Each of the Guarantors and 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 and Term Loan Agreement as a sealed instrument as of the date first above written.

SALESLINK CORPORATION

By: /s/ Its Duly Authorized Officer

Name:

Title:

Address:

25 Drydock Avenue

Boston, Massachusetts 02210

Tel: (617)

Fax: (617)

CMG INFORMATION SERVICES, INC.

By: /s/ Its Duly Authorized Officer

Name:

Title:

Address:

187 Ballardvale Street, Suite B110

Wilmington, Massachusetts 01887-7000

Tel: (508)

Fax: (508)

PACIFIC DIRECT MARKETING CORP.

By: /s/ Its Duly Authorized Officer

Name:

Title:

Address:

8852 Thornton Avenue

Newark, California

Tel:

Fax:

THE FIRST NATIONAL BANK OF BOSTON, INDIVIDUALLY AND AS AGENT

By: /s/ Tena C. Lindenauer

Name: Tena C. Lindenauer

Title: Director and Vice President

Address:

100 Federal Street

High Technology Division

Boston, Massachusetts 02110

Tel: (617)434-7440

Fax: (617)434-0819

SCHEDULE 9.2(A)

SCHEDULE 9.2(B)

REVOLVING CREDIT NOTE

\$2,500,000

as of October 24, 1996

FOR VALUE RECEIVED, the undersigned SALES LINK CORPORATION a Massachusetts 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 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 TWO MILLION FIVE HUNDRED THOUSAND DOLLARS (\$2,500,000) or, if less, the aggregate unpaid principal amount of Revolving Credit Loans advanced by the Bank to the Borrower pursuant to the Revolving Credit 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 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: /s/ Its Duly Authorized Officer

Title:

TERM NOTE

\$5,500,000

as of October 24, 1996

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 FIVE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$5,500,000), 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: /s/ Its Duly Authorized Officer

Title:

GUARANTY

GUARANTY, dated as of October 24, 1996, by PACIFIC DIRECT MARKETING CORP., a California corporation, (the "Guarantor") in favor of (a) THE FIRST NATIONAL BANK OF BOSTON, a national banking association, as agent (hereinafter, in such capacity, the "Agent") for itself and the other lending institutions (hereinafter, collectively, the "Banks") which are or may become parties to 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") among SalesLink Corporation, a Massachusetts corporation (the "Borrower"), CMG Information Services, Inc., a Delaware corporation (the "Parent"), the Guarantor, the Banks and the Agent and (b) each of the Banks.

WHEREAS, the Borrower, the Parent and the Guarantor have entered into the Credit Agreement with the Agent and the Banks pursuant to which the Banks and the Agent, subject to the terms and conditions contained therein, is to make loans or otherwise to extend to the Borrower and the Parent;

WHEREAS, the Borrower, the Parent and the Guarantor are members of a group of related corporations, the success of either one of which is dependent in part on the success of the other members of such group;

WHEREAS, the Guarantor expects to receive substantial direct and indirect benefits from the extensions of credit to the Borrower and the Parent by the Agent and the Banks pursuant to the Credit Agreement (which benefits are hereby acknowledged);

WHEREAS, it is a condition precedent to the Bank's making any loans or otherwise extending credit to the Borrower or the Parent under the Credit Agreement that the Guarantor execute and deliver to the Agent and the Banks a guaranty substantially in the form hereof; and

WHEREAS, the Guarantor wishes to guaranty the Borrower's and the Parent's joint and several obligations to the Agent and the Banks under or in respect of the Credit Agreement as provided herein;

NOW, THEREFORE, the Guarantor hereby agrees with the Agent and the Banks as follows:

I. DEFINITIONS.

The term "Obligations" and all other capitalized terms used herein without definition shall have the respective meanings provided therefor in the Credit Agreement.

II. GUARANTY OF PAYMENT AND PERFORMANCE.

The Guarantor hereby guarantees to the Banks and the Agent the full and punctual payment when due (whether at stated maturity, by required pre-payment, by acceleration or otherwise), as well as the performance, of all of the Obligations including all such which would become due but for the operation of the automatic stay pursuant to (S)362(a) of the Federal Bankruptcy Code and the operation of (S)(S)502(b) and 506(b) of the Federal Bankruptcy Code. This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance of all of the Obligations and not of their collectibility only and is in no way conditioned upon any requirement that the Agent or any Bank first attempt to collect any of the Obligations from the Borrower or the Parent or resort to any collateral security or other means of obtaining payment. Should the Borrower or the Parent default in the payment or performance of any of the Obligations, the obligations of the Guarantor hereunder with respect to such Obligations in default shall become immediately due and payable to the Agent and the Banks, without demand or notice of any nature, all of which are expressly waived by the Guarantor. Payments by the Guarantor hereunder may be required by the Agent or any Bank on any number of occasions.

III. GUARANTOR'S AGREEMENT TO PAY ENFORCEMENT COSTS, ETC.

The Guarantor further agrees, as the principal obligor and not as a guarantor only, to pay to the Agent, on demand, all costs and expenses (including court costs and legal expenses) incurred or expended by the Agent or any Bank in connection with the Obligations, this Guaranty and the enforcement thereof, together with interest on amounts recoverable under this (S)3 from the time when such amounts become due until payment, whether before or after judgment, at the rate of interest for overdue principal set forth in the Credit Agreement, provided that if such interest exceeds the maximum amount permitted to be paid

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under applicable law, then such interest shall be reduced to such maximum permitted amount.

IV. WAIVERS BY GUARANTOR; BANK'S FREEDOM TO ACT.

The Guarantor agrees that the Obligations will be paid and performed strictly in accordance with their respective terms, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent or any Bank with respect thereto. The Guarantor waives promptness, diligences, presentment, demand, protest, notice of acceptance, notice of any Obligations incurred and all other notices of any kind, all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshalling of assets of either the Borrower or the Parent or any other entity or other person primarily or secondarily liable with respect to any of the Obligations, and all suretyship defenses generally. Without limiting the generality of the foregoing, the Guarantor agrees to the provisions of any instrument evidencing, securing or otherwise executed in connection with any Obligation and agrees that the obligations of the Guarantor hereunder shall not be released or discharged, in whole or in part, or otherwise affected by (a) the failure of the Agent or any Bank to assert any claim or demand or to enforce any right or remedy against the Borrower, the Parent or any other entity or other person primarily or secondarily liable with respect to any of the Obligations; (b) any extensions, compromise, refinancing, consolidation or renewals of any Obligation; (c) any change in the time, place or manner of payment of any of the Obligations or any rescissions, waivers, compromise, refinancing, consolidation, amendments or modifications of any of the terms or provisions of the Credit Agreement, the Notes, the other Loan Documents or any other agreement evidencing, securing or otherwise executed in connection with any of the Obligations; (d) the addition, substitution or release of any entity or other person primarily or secondarily liable for any Obligation, (e) the adequacy of any rights which the Bank may have against any collateral security or other means of obtaining repayment of any of the Obligations; (f) the impairment of any collateral securing any of the Obligations, including without limitation the failure to perfect or preserve any rights which the Agent or any Bank might have in such collateral security or the substitution, exchange, surrender, release, loss or destruction of any such collateral security; or (g) any other act or omission which might in any manner or to any extent vary the risk of the Guarantor or otherwise operate as a release or discharge of the Guarantor, all of which may be done without notice to the Guarantor. To the fullest extent permitted by law, the Guarantor hereby expressly waives any and all rights or defenses arising by reason of (i) any "one action" or "anti-deficiency" law which would otherwise prevent the Agent or any Bank from bringing any action, including any claim for a deficiency, or exercising any other right or remedy (including any right of set-off), against the Guarantor before or after the Agent's or any Bank's commencement or completion of any foreclosure action, whether judicially, by exercise of power of sale or otherwise, or (ii) any other law which in any other way would otherwise require any election of remedies by the Agent or any Bank.

V. UNENFORCEABILITY OF OBLIGATIONS AGAINST BORROWER OR PARENT.

If for any reason either the Borrower or the Parent has no legal existence or is under no legal obligation to discharge any of the Obligations, or if any of the Obligations have become irrecoverable from either the Borrower or the Parent by reason of the Borrower's or the Parent's insolvency, bankruptcy or reorganization or by other operation of law or for any other reason, this Guaranty shall nevertheless be binding on the Guarantor to the same extent as if the Guarantor at all times had been the principal obligor on all such Obligations. In the event that acceleration of the time for payment of any of the Obligations is stayed upon the insolvency, bankruptcy or reorganization of the Company, or for any other reason, all such amounts otherwise subject to acceleration under the terms of the Credit Agreement, the Notes, the other Loan Documents or any other agreement evidencing, securing or otherwise executed in connection with any Obligation shall be immediately due and payable by the Guarantor.

VI. SUBROGATION; SUBORDINATION.

A. WAIVER OF RIGHTS AGAINST BORROWER OR PARENT.

Until the final payment and performance in full of all of the Obligations and any and all other obligations of the Borrower, the Parent or the Guarantor to the Agent or any Bank or any affiliate of the Agent or any Bank, the Guarantor shall not exercise any rights against either the Borrower or the Parent arising as a result of payment by the Guarantor hereunder, by way of subrogation, reimbursement, restitution, contribution or otherwise, and will not prove any claim in competition with the Agent or any Bank or such affiliate in respect of any payment hereunder in any bankruptcy, insolvency or reorganization case or proceedings of any nature; the Guarantor will not claim any setoff, recoupment or counterclaim against either the Borrower or the Parent in respect of any liability of the Guarantor to the Borrower or the Parent; and the Guarantor waives any benefit of and any right to participate in any collateral security which may be held by the Agent or any Bank or any such affiliate.

B. SUBORDINATION.

The payment of any amounts due with respect to any indebtedness of the Borrower or the Parent now or hereafter owed to the Guarantor is hereby subordinated to the prior payment

in full of all of the Obligations and any and all other obligations of the Borrower, the Parent or the Guarantor to the Agent or any Bank or any affiliate of the Agent or any Bank. The Guarantor agrees that, after the occurrence of any default in the payment or performance of any of the Obligations, the Guarantor will not demand, sue for or otherwise attempt to collect any such indebtedness of the Borrower or the Parent to the Guarantor until all of the Obligations shall have been paid in full. If, notwithstanding the foregoing sentence, the Guarantor shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by the Guarantor as trustee for the Agent for the benefit of the Agent and the Banks and be paid over to the Agent for the benefit of the Agent and the Banks on account of the Obligations without affecting in any manner the liability of the Guarantor under the other provisions of this Guaranty.

C. PROVISIONS SUPPLEMENTAL.

The provisions of this (S)6 shall be supplemental to and not in derogation of any rights and remedies of the Agent or any Bank or any affiliate of the Agent or any Bank under any separate subordination agreement which the Agent or such Bank or such affiliate may at any time and from time to time enter into with the Guarantor.

VII. SECURITY; SETOFF.

The Guarantor grants to the Agent for the benefit of the Agent and the Banks, as security for the full and punctual payment and performance of all of the Guarantor's obligations hereunder, a continuing lien on and security interest in all securities or other property belonging to the Guarantor now or hereafter held by the Agent or any Bank and in all deposits (general or special, time or demand, provisional or final) and other sums credited by or due from the Agent or any Bank to the Guarantor or subject to withdrawal by the Guarantor. Regardless of the adequacy of any collateral security or other means of obtaining payment of any of the Obligations, the Agent and any Bank is hereby authorized at any time and from time to time, without notice to the Guarantor (any such notice being expressly waived by the Guarantor) and to the fullest extent permitted by law, to set off and apply such deposits and other sums against the obligations of the Guarantor under this Guaranty, whether or not the Agent or such Bank shall have made any demand under this Guaranty and although such obligations may be contingent or unmatured.

VIII. FURTHER ASSURANCES.

The Guarantor agree that it will from time to time, at the request of the Agent, provide to the Agent the Guarantor's most recent audited and unaudited balance sheets and related statements of income and changes in financial condition (prepared on a consolidated basis with the Guarantor's subsidiaries, if any) and such other information relating to the business and affairs of the Guarantor as the Agent or any Bank may reasonably request. The Guarantor also agrees to do all such things and execute all such documents as the Agent may consider necessary or desirable to give full effect to this Guaranty and to perfect and preserve the rights and powers of the Agent hereunder. The Guarantor acknowledges and confirms that the Guarantor itself has established its own adequate means of obtaining from the Borrower and the Parent on a continuing basis all information desired by the Guarantor concerning the financial condition of the Borrower and the Parent and that the Guarantor will look to the Borrower and the Parent and not to the Bank in order for the Guarantor to keep adequately informed of changes in the Company's financial condition.

IX. TERMINATION; REINSTATEMENT.

This Guaranty shall remain in full force and effect until the Agent is given written notice of the Guarantor's intention to discontinue this Guaranty, notwithstanding any intermediate or temporary payment or settlement of the whole or any part of the Obligations. No such notice shall be effective unless received and acknowledged by an officer of the Agent at the address of the Agent for notices set forth on the signature page of the Credit Agreement. No such notice shall affect any rights of the Agent or any Bank or of any affiliate of the Agent or any Bank hereunder, including without limitation the rights set forth in (S)(S)4 and 6, with respect to any Obligations incurred or accrued prior to the receipt of such notice or any Obligations incurred or accrued pursuant to any contract or commitment in existence prior to such receipt, and all checks, drafts, notes, instruments (negotiable or otherwise) and writings made by or for the account of the Borrower or the Parent and drawn on the Agent or any Bank or any of its agents purporting to be dated on or before the date of receipt of such notice, although presented to and paid or accepted by the Agent or any Bank after that date, shall form part of the Obligations. This Guaranty shall continue to be effective or be reinstated, notwithstanding any such notice, if at any time any payment made or value received with respect to any Obligation is rescinded or must otherwise be returned by the Agent or any Bank upon the insolvency, bankruptcy or reorganization of the Borrower, the Parent, or otherwise, all as though such payment had not been made or value received.

X. SUCCESSORS AND ASSIGNS.

This Guaranty shall be binding upon the Guarantor, its successors and assigns, and shall inure to the benefit of and be enforceable by the Agent, each Bank and its successors, transferees

and assigns. Without limiting the generality of the foregoing sentence, the Agent or any Bank may assign or otherwise transfer the Credit Agreement, the Notes, the other Loan Documents or any other agreement or note held by it evidencing, securing or otherwise executed in connection with the Obligations, or sell participations in any interest therein, to any other entity or other person, and such other entity or other person shall thereupon become vested, to the extent set forth in the agreement evidencing such assignment, transfer or participation, with all the rights in respect thereof granted to the Agent or such Bank herein.

XI. AMENDMENTS AND WAIVERS.

No amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom shall be effective unless the same shall be in writing and signed by the Agent and each Bank. No failure on the part of the Agent or any Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

XII. NOTICES.

All notices and other communications called for hereunder shall be made in writing and, unless otherwise specifically provided herein, shall be deemed to have been duly made or given when delivered by hand or mailed first class, postage prepaid, or, in the case of telegraphic or telexed notice, when transmitted, answer back received, addressed as follows: if to the Guarantor, at the address set forth beneath its signature hereto, and if to the Agent or any Bank, at the address for notices to the Agent and such Bank set forth on the signature page of the Credit Agreement, or at such address as either party may designate in writing to the other.

XIII GOVERNING LAW; CONSENT TO JURISDICTION.

THIS GUARANTY IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS. The Guarantor agrees that any suit for the enforcement of this Guaranty may be brought in the courts of the Commonwealth of Massachusetts or any federal court sitting therein and consents to the nonexclusive jurisdiction of such court and to service of process in any such suit being made upon the Guarantor by mail at the address specified by reference in (S)12. The Guarantor 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 was brought in an inconvenient court .

XIV WAIVER OF JURY TRIAL.

THE GUARANTOR HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS GUARANTY, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY OF SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, the Guarantor hereby waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Guarantor (a) certifies that neither the Agent, any Bank nor any representative, agent or attorney of the Agent or any Bank has represented, expressly or otherwise, that the Agent or such Bank would not, in the event of litigation, seek to enforce the foregoing waivers and (b) acknowledges that, in entering into the Credit Agreement and the other Loan Documents to which the Agent or such Bank is a party, the Agent and each Bank is relying upon, among other things, the waivers and certifications contained in this (S)14.

XV. MISCELLANEOUS.

This Guaranty constitutes the entire agreement of the Guarantor with respect to the matters set forth herein. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by law or any other agreement, and this Guaranty shall be in addition to any other guaranty of or collateral security for any of the Obligations. The invalidity or unenforceability of any one or more sections of this Guaranty shall not affect the validity or enforceability of its remaining provisions. Captions are for the ease of reference only and shall not affect the meaning of the relevant provisions. The meanings of all defined terms used in this Guaranty shall be equally applicable to the singular and plural forms of the terms defined.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed and delivered as of the date first above written.

PACIFIC DIRECT MARKETING CORP.

By: /s/ Its Duly Authorized Officer

Title:

Address:

Telex:

GUARANTY

GUARANTY, dated as of October 24, 1996, by CMG INFORMATION SERVICES, INC., a Delaware (the "Guarantor") in favor of (a) THE FIRST NATIONAL BANK OF BOSTON, a national banking association, as agent (hereinafter, in such capacity, the "Agent") for itself and the other banking institutions (hereinafter, collectively, the "Banks") which are or may become parties to 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"), among SALES LINK CORPORATION, a Massachusetts corporation (the "Company"), the Guarantor, Pacific Direct Marketing Corp., the Banks and the Agent and (b) each of the Banks.

WHEREAS, the Company and the Guarantor are members of a group of related corporations, the success of either one of which is dependent in part on the success of the other members of such group;

WHEREAS, the Guarantor expects to receive substantial direct and indirect benefits from the extensions of credit to the Company by the Banks pursuant to the Credit Agreement (which benefits are hereby acknowledged);

WHEREAS, it is a condition precedent to the Banks' making any loans or otherwise extending credit to the Company under the Credit Agreement that the Guarantor execute and deliver to the Agent, for the benefit of the Banks and the Agent, a guaranty substantially in the form hereof; and

WHEREAS, the Guarantor wishes to guaranty the Company's obligations to the Banks and the Agent under or in respect of the Credit Agreement as provided herein;

NOW, THEREFORE, the Guarantor hereby agrees with the Banks and the Agent as follows:

I. DEFINITIONS.

The term "Obligations" and all other capitalized terms used herein without definition shall have the respective meanings provided therefor in the Credit Agreement.

II. GUARANTY OF PAYMENT AND PERFORMANCE.

The Guarantor hereby guarantees to the Banks and the Agent the full and punctual payment when due (whether at stated maturity, by required pre-payment, by acceleration or otherwise), as well as the performance, of all of the Obligations including all such which would become due but for the operation of the automatic stay pursuant to (S)362(a) of the Federal Bankruptcy Code and the operation of (S)(S)502(b) and 506(b) of the Federal Bankruptcy Code. This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance of all of the Obligations and not of their collectibility only and is in no way conditioned upon any requirement that the Agent or any Bank first attempt to collect any of the Obligations from the Company or resort to any collateral security or other means of obtaining payment. Should the Company default in the payment or performance of any of the Obligations, the obligations of the Guarantor hereunder with respect to such Obligations in default shall, upon demand by the Agent, become immediately due and payable to the Agent, for the benefit of the Banks and the Agent, without demand or notice of any nature, all of which are expressly waived by the Guarantor. Payments by the Guarantor hereunder may be required by the Agent on any number of occasions. All payments by the Guarantor hereunder shall be made to the Agent, in the manner and at the place of payment specified therefor in the Credit Agreement, for the account of the Banks and the Agent.

III. GUARANTOR'S AGREEMENT TO PAY ENFORCEMENT COSTS, ETC.

The Guarantor further agrees, as the principal obligor and not as a guarantor only, to pay to the Agent, on demand, all costs and expenses (including court costs and legal expenses) incurred or expended by the Agent or any Bank in connection with the Obligations, this Guaranty and the enforcement thereof, together with interest on amounts recoverable under this (S)3 from the time when such amounts become due until payment, whether before or after judgment, at the rate of interest for overdue principal set forth in the Credit Agreement,

provided that if such interest exceeds the maximum amount permitted to be paid

under applicable law, then such interest shall be reduced to such maximum permitted amount.

IV. WAIVERS BY GUARANTOR; BANK'S FREEDOM TO ACT.

The Guarantor agrees that the Obligations will be paid and performed strictly in accordance with their respective terms, regardless of any law, regulation or order now or hereafter in

effect in any jurisdiction affecting any of such terms or the rights of the Agent or any Bank with respect thereto. The Guarantor waives promptness, diligences, presentment, demand, protest, notice of acceptance, notice of any Obligations incurred and all other notices of any kind, all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshalling of assets of the Company or any other entity or other person primarily or secondarily liable with respect to any of the Obligations, and all suretyship defenses generally. Without limiting the generality of the foregoing, the Guarantor agrees to the provisions of any instrument evidencing, securing or otherwise executed in connection with any Obligation and agrees that the obligations of the Guarantor hereunder shall not be released or discharged, in whole or in part, or otherwise affected by (a) the failure of the Agent or any Bank to assert any claim or demand or to enforce any right or remedy against the Company or any other entity or other person primarily or secondarily liable with respect to any of the Obligations; (b) any extensions, compromise, refinancing, consolidation or renewals of any Obligation; (c) any change in the time, place or manner of payment of any of the Obligations or any rescissions, waivers, compromise, refinancing, consolidation or other amendments or modifications of any of the terms or provisions of the Credit Agreement, the Note, the other Loan Documents or any other agreement evidencing, securing or otherwise executed in connection with any of the Obligations, (d) the addition, substitution or release of any entity or other person primarily or secondarily liable for any Obligation; (e) the adequacy of any rights which the Agent or any Bank may have against any collateral security or other means of obtaining repayment of any of the Obligations; (f) the impairment of any collateral securing any of the Obligations, including without limitation the failure to perfect or preserve any rights which the Agent or any Bank might have in such collateral security or the substitution, exchange, surrender, release, loss or destruction of any such collateral security; or (g) any other act or omission which might in any manner or to any extent vary the risk of the Guarantor or otherwise operate as a release or discharge of the Guarantor, all of which may be done without notice to the Guarantor. To the fullest extent permitted by law, the Guarantor hereby expressly waives any and all rights or defenses arising by reason of (i) any "one action" or "anti-deficiency" law which would otherwise prevent the Agent or any Bank from bringing any action, including any claim for a deficiency, or exercising any other right or remedy (including any right of set-off), against the Guarantor before or after the Agent's or such Bank's commencement or completion of any foreclosure action, whether judicially, by exercise of power of sale or otherwise, or (ii) any other law which in any other way would otherwise require any election of remedies by the Agent or any Bank.

V. UNENFORCEABILITY OF OBLIGATIONS AGAINST COMPANY.

If for any reason the Company has no legal existence or is under no legal obligation to discharge any of the Obligations, or if any of the Obligations have become irrecoverable from the Company by reason of the Company's insolvency, bankruptcy or reorganization or by other operation of law or for any other reason, this Guaranty shall nevertheless be binding on

the Guarantor to the same extent as if the Guarantor at all times had been the principal obligor on all such Obligations. In the event that acceleration of the time for payment of any of the Obligations is stayed upon the insolvency, bankruptcy or reorganization of the Company, or for any other reason, all such amounts otherwise subject to acceleration under the terms of the Credit Agreement, the Note, the other Loan Documents or any other agreement evidencing, securing or otherwise executed in connection with any Obligation shall be immediately due and payable by the Guarantor.

VI. SUBROGATION; SUBORDINATION.

A. WAIVER OF RIGHTS AGAINST COMPANY.

Until the final payment and performance in full of all of the Obligations, the Guarantor shall not exercise and hereby waives any rights against the Company arising as a result of payment by the Guarantor hereunder, by way of subrogation, reimbursement, restitution, contribution or otherwise, and will not prove any claim in competition with the Agent or any Bank in respect of any payment hereunder in any bankruptcy, insolvency or reorganization case or proceedings of any nature; the Guarantor will not claim any setoff, recoupment or counterclaim against the Company in respect of any liability of the Guarantor to the Company; and the Guarantor waives any benefit of and any right to participate in any collateral security which may be held by the Agent or any Bank.

B. SUBORDINATION.

The payment of any amounts due with respect to any indebtedness of the Company for money borrowed or credit received now or hereafter owed to the Guarantor is hereby subordinated to the prior payment in full of all of the Obligations. The Guarantor agrees that, after the occurrence of any default in the payment or performance of any of the Obligations, the Guarantor will not demand, sue for or otherwise attempt to collect any such indebtedness of the Company to the Guarantor until all of the Obligations shall have been paid in full. If, notwithstanding the foregoing sentence, the Guarantor shall collect, enforce or receive any amounts in respect of such indebtedness while any Obligations are still outstanding, such amounts shall be collected, enforced and received by the Guarantor as trustee for the Banks and the Agent and be paid over to the Agent, for the benefit of the Banks and the Agent, on account of the Obligations without affecting in any manner the

liability of the Guarantor under the other provisions of this Guaranty.

C. PROVISIONS SUPPLEMENTAL.

The provisions of this (S)6 shall be supplemental to and not in derogation of any rights and remedies of the Banks and the Agent under any separate subordination agreement which the Agent may at any time and from time to time enter into with the Guarantor for the benefit of the Banks and the Agent.

VII. SECURITY; SETOFF.

The Guarantor grants to each of the Agent and the Banks, as security for the full and punctual payment and performance of all of the Guarantor's obligations hereunder, a continuing lien on and security interest in all securities or other property belonging to the Guarantor now or hereafter held by the Agent or such Bank and in all deposits (general or special, time or demand, provisional or final) and other sums credited by or due from the Agent or such Bank to the Guarantor or subject to withdrawal by the Guarantor. Regardless of the adequacy of any collateral security or other means of obtaining payment of any of the Obligations, each of the Agent and the Banks is hereby authorized at any time and from time to time, without notice to the Guarantor (any such notice being expressly waived by the Guarantor) and to the fullest extent permitted by law, to set off and apply such deposits and other sums against the obligations of the Guarantor under this Guaranty, whether or not the Agent or such Bank shall have made any demand under this Guaranty and although such obligations may be contingent or unmatured.

VIII. FURTHER ASSURANCES.

The Guarantor agrees that it will from time to time, at the request of the Agent, do all such things and execute all such documents as the Agent may consider necessary or desirable to give full effect to this Guaranty and to perfect and preserve the rights and powers of the Banks and the Agent hereunder. The Guarantor acknowledges and confirms that the Guarantor itself has established its own adequate means of obtaining from the Company on a continuing basis all information desired by the Guarantor concerning the financial condition of the Company and that the Guarantor will look to the Company and not to the Agent or any Bank in order for the Guarantor to keep adequately informed of changes in the Company's financial

condition.

IX. TERMINATION; REINSTATEMENT.

This Guaranty shall remain in full force and effect until the Agent is given written notice of the Guarantor's intention to discontinue this Guaranty, notwithstanding any intermediate or temporary payment or settlement of the whole or any part of the Obligations. No such notice shall be effective unless received and acknowledged by an officer of the Agent at the address of the Agent for notices set forth on the signature page of the Credit Agreement. No such notice shall affect any rights of the Agent or any Bank hereunder, including without limitation the rights set forth in (S)(S)4 and 6, with respect to any Obligations incurred or accrued prior to the receipt of such notice or any Obligations incurred or accrued pursuant to any contract or commitment in existence prior to such receipt. This Guaranty shall continue to be effective or be reinstated, notwithstanding any such notice, if at any time any payment made or value received with respect to any Obligation is rescinded or must otherwise be returned by the Agent or any Bank upon the insolvency, bankruptcy or reorganization of the Company, or otherwise, all as though such payment had not been made or value received.

X. SUCCESSORS AND ASSIGNS.

This Guaranty shall be binding upon the Guarantor, its successors and assigns, and shall inure to the benefit of the Agent and the Banks and their respective successors, transferees and assigns. Without limiting the generality of the foregoing sentence, each Bank may assign or otherwise transfer the Credit Agreement, the Note, the other Loan Documents or any other agreement or note held by it evidencing, securing or otherwise executed in connection with the Obligations, or sell participations in any interest therein, to any other entity or other person, and such other entity or other person shall thereupon become vested, to the extent set forth in the agreement evidencing such assignment, transfer or participation, with all the rights in respect thereof granted to such Bank herein, all in accordance with (S)* of the Credit Agreement. The Guarantor may not assign any of its obligations hereunder.

XI. AMENDMENTS AND WAIVERS.

No amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom shall be effective unless the same shall be in writing and signed by the Agent with the consent of the Majority Banks. No failure on the part of the Agent or any Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or

further exercise thereof or the exercise of any other right.

XII. NOTICES.

All notices and other communications called for hereunder shall be made in writing and, unless otherwise specifically provided herein, shall be deemed to have been duly made or given when delivered by hand or mailed first class, postage prepaid, or, in the case of telegraphic or telexed notice, when transmitted, answer back received, addressed as follows: if to the Guarantor, at the address set forth beneath its signature hereto, and if to the Agent, at the address for notices to the Agent set forth on the signature page of the Credit Agreement, or at such address as either party may designate in writing to the other.

XIII. GOVERNING LAW; CONSENT TO JURISDICTION.

THIS GUARANTY IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS. The Guarantor agrees that any suit for the enforcement of this Guaranty may be brought in the courts of the Commonwealth of Massachusetts or any federal court sitting therein and consents to the nonexclusive jurisdiction of such court and to service of process in any such suit being made upon the Guarantor by mail at the address specified by reference in (S)12. The Guarantor 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 was brought in an inconvenient court.

XIV. WAIVER OF JURY TRIAL.

THE GUARANTOR HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS GUARANTY, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY OF SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, the Guarantor hereby waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Guarantor (a) certifies that neither the Agent or any Bank nor any representative, agent or attorney of the Agent or any Bank has represented, expressly or otherwise, that the Agent or any Bank would not, in the event of litigation, seek to enforce the foregoing waivers and (b) acknowledges that, in entering into the Credit Agreement and the other Loan Documents to

which the Agent or any Bank is a party, the Agent and the Banks are relying upon, among other things, the waivers and certifications contained in this (S)14.

XV. MISCELLANEOUS.

This Guaranty constitutes the entire agreement of the Guarantor with respect to the matters set forth herein. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by law or any other agreement, and this Guaranty shall be in addition to any other guaranty of or collateral security for any of the Obligations. The invalidity or unenforceability of any one or more sections of this Guaranty shall not affect the validity or enforceability of its remaining provisions. Captions are for the ease of reference only and shall not affect the meaning of the relevant provisions. The meanings of all defined terms used in this Guaranty shall be equally applicable to the singular and plural forms of the terms defined.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed and delivered as of the date first above written.

CMG INFORMATION SERVICES, INC.

By: /s/ Its Duly Authorized Officer

Title:

Address:

187 Ballardvale St., Suite B110

Wilmington, MA 01887-7000

Telex:

EXHIBIT 11
 CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
 STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

(in thousands, except per share amounts)

Three months ended October 31,

 1996 1995

Primary:

| | | |
|---|--------------------|-------------------|
| Net income (loss) | \$(7,397) ===== | \$18,178 ===== |
| Weighted average common and common equivalent shares outstanding: | | |
| Shares outstanding at the beginning of the period | 9,167 | 8,839 |
| Weighted average shares issued during the period | 4 | 7 |
| Weighted average treasury stock acquired during the period | (4) | -- |
| Weighted average common stock equivalents | -- | 708 |
| | ----- | ----- |
| Weighted average common and common equivalent shares outstanding | 9,167 ===== | 9,554 ===== |
| Primary net income (loss) per share | \$ (0.81) ===== | \$ 1.90 ===== |

Fully Diluted:

| | | |
|---|--------------------|-------------------|
| Net income (loss) | \$(7,397) ===== | \$18,178 ===== |
| Weighted average common and common equivalent shares outstanding: | | |
| Shares outstanding at the beginning of the period | 9,167 | 8,839 |
| Weighted average shares issued during the period | 4 | 8 |
| Weighted average treasury stock acquired during the period | (4) | -- |
| Weighted average common stock equivalents | -- | 975 |
| | ----- | ----- |
| Weighted average common and common equivalent shares outstanding | 9,167 ===== | 9,822 ===== |
| Fully diluted net income (loss) per share | \$ (0.81) ===== | \$ 1.85 ===== |

All share information has been restated to reflect a 2-for-1 Common Stock split effected as a stock dividend on February 2, 1996.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE OCTOBER 31, 1996 CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED OCTOBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

| 3-MOS | |
|-------------|-------------|
| JUL-31-1997 | AUG-01-1996 |
| | OCT-31-1996 |
| | 53,689 |
| | 7,630 |
| | 15,041 |
| | 0 |
| | 0 |
| 81,610 | 10,101 |
| | 0 |
| 119,258 | |
| 27,391 | |
| | 0 |
| 0 | 0 |
| | 92 |
| | 45,804 |
| 119,258 | |
| | 10,640 |
| 10,640 | |
| | 6,616 |
| | 25,089 |
| | 0 |
| | 0 |
| (924) | |
| (8,495) | |
| (1,098) | |
| (7,397) | |
| | 0 |
| | 0 |
| | 0 |
| (7,397) | |
| (0.81) | |
| (0.81) | |