

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED JANUARY 31, 1998

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

COMMISSION FILE NUMBER 0-22846

CMG INFORMATION SERVICES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

04-2921333
(I.R.S. Employer Identification No.)

100 BRICKSTONE SQUARE, FIRST FLOOR
ANDOVER, MASSACHUSETTS
(Address of principal executive offices)

01810
(Zip Code)

(978) 684-3600
(Registrant's telephone number, including area code)

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

Yes X No
----- -----

Number of shares outstanding of the issuer's common stock, as of March 13, 1998

COMMON STOCK, PAR VALUE \$.01 PER SHARE	10,614,092
----- Class	----- Number of shares outstanding

CMG INFORMATION SERVICES, INC.
FORM 10-Q

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CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	January 31, 1998 ----- (Unaudited)	July 31, 1997 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,113	\$ 59,762
Available-for-sale securities	1,200	5,945
Accounts and license fees receivable, less allowance for doubtful accounts	15,853	28,935
Prepaid expenses	2,629	6,174
Other current assets	7,343	5,875
	-----	-----
Total current assets	57,138	106,691
Property and equipment, net	8,801	11,144
Investments in affiliates	29,236	9,160
Cost in excess of net assets of subsidiaries acquired, net of accumulated amortization	16,385	17,109
Other assets	2,941	4,250
	-----	-----
	\$ 114,501	\$ 148,354
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 22,700	\$ 22,494
Current installments of long-term debt	3,462	3,221
Accounts payable	8,468	9,959
Accrued expenses	11,977	18,341
Deferred revenues	2,906	13,680
Other current liabilities	1,095	442
	-----	-----
Total current liabilities	50,608	68,137
Long-term debt, less current installments	7,778	9,550
Long-term deferred revenues	--	5,100
Deferred income taxes	7,183	8,481
Other long-term liabilities	3,894	2,119
Minority interest	6,759	25,519
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 10,290,528 shares at January 31, 1998 and 9,659,543 shares at July 31, 1997	103	97
Additional paid-in capital	29,705	16,879
Net unrealized gain on available-for-sale securities	--	852
Retained earnings	8,471	11,620
	-----	-----
Total stockholders' equity	38,279	29,448
	-----	-----
	\$ 114,501	\$ 148,354
	=====	=====

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 January 31,		Six months ended January 31,	
	1998	1997	1998	1997
Net revenues	\$ 17,818	\$ 18,897	\$ 42,953	\$ 29,537
Operating expenses:				
Cost of revenues	15,692	11,286	30,951	16,652
Research and development	4,639	6,732	10,813	11,697
In-process research and development	875	--	875	1,312
Selling	5,685	9,114	16,725	18,320
General and administrative	4,391	4,574	9,292	8,814
Total operating expenses	31,282	31,706	68,656	56,795
Operating loss	(13,464)	(12,809)	(25,703)	(27,258)
Other income (expense):				
Interest income	296	687	1,139	1,649
Interest expense	(716)	(427)	(1,486)	(465)
Gain on sale of data warehouse product rights	--	--	8,437	--
Gain on sale of Lycos, Inc. common stock	10,764	--	17,088	--
Gain on sale of Premiere Technologies, Inc. common stock	--	--	4,174	--
Gain on sale of investment in Telet Communications	--	--	--	3,616
Gain on sale of NetCarta Corporation	--	15,111	--	15,111
Gain (loss) on stock issuance by Lycos, Inc.	8	--	(86)	--
Equity in losses of affiliates	(2,987)	(1,081)	(4,516)	(2,089)
Minority interest	--	1,025	(28)	3,447
	7,365	15,315	24,722	21,269
Income (loss) before income taxes	(6,099)	2,506	(981)	(5,989)
Income tax expense (benefit)	(265)	1,840	2,168	742
Net income (loss)	\$ (5,834)	\$ 666	\$ (3,149)	\$ (6,731)
Net income (loss) per share:				
Basic	\$(0.58)	\$0.07	\$(0.32)	\$(0.74)
Diluted	\$(0.58)	\$0.07	\$(0.33)	\$(0.74)
Shares used in computing net income (loss) per share:				
Basic	10,040	9,198	9,828	9,140
Diluted	10,040	9,771	9,828	9,140

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)

	Six months ended January 31,	
	----- 1998	----- 1997
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (3,149)	\$ (6,731)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	3,037	2,513
Deferred income taxes	(1,534)	(39)
Gain on sale of data warehouse product rights	(8,437)	--
Gains on sales of CMG@Ventures investments	(21,262)	(18,727)
Loss on stock issuance by Lycos, Inc.	86	--
Equity in losses of affiliates	4,516	2,089
Minority interest	28	(3,447)
In-process research and development	875	1,312
Changes in operating assets and liabilities, excluding effects from acquisitions and divestitures of subsidiaries:		
Accounts and license fees receivable	(3,663)	(7,691)
Prepaid expenses and other current assets	(5,240)	(2,261)
Accounts payable and accrued expenses	1,956	4,284
Deferred revenues	1,922	4,355
Refundable and accrued income taxes, net	3,906	199
Other assets and liabilities	(289)	246
	-----	-----
Net cash used for operating activities	(27,248)	(23,898)
	-----	-----
Cash flows from investing activities:		
Additions to property and equipment	(2,928)	(3,428)
Proceeds from sale of data warehouse product rights	9,543	--
Proceeds from sales of CMG@Ventures investments	26,353	19,018
Investments in affiliates and acquisitions of subsidiaries	(7,387)	(18,326)
Proceeds from sales or maturities of available-for-sale securities	--	10,568
Reduction in cash due to deconsolidation of Lycos, Inc.	(41,017)	--
Other	(154)	(600)
	-----	-----
Net cash provided by (used for) investing activities	(15,590)	7,232
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of notes payable, net of repayments	206	13,100
Proceeds from issuance of long-term debt	--	5,500
Repayments of long-term debt	(1,531)	--
Sale of common and treasury stock, net	12,142	7,470
Purchase of treasury stock	--	(984)
Proceeds from issuance of stock by subsidiary	477	--
Other	1,895	1,807
	-----	-----
Net cash provided by financing activities	13,189	26,893
	-----	-----
Net increase (decrease) in cash and cash equivalents	(29,649)	10,227
Cash and cash equivalents at beginning of period	59,762	63,387
	-----	-----
Cash and cash equivalents at end of period	\$ 30,113	\$ 73,614
	=====	=====

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 unaudited consolidated financial statements have been prepared by CMG Information Services, Inc. ("CMG" or the "Company") in accordance with generally accepted accounting principles. In the opinion of management, these 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, 1997 which are contained in the Company's Annual Report on Form 10-K. The results for the three and six month periods ended January 31, 1998 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.

B. DECONSOLIDATION OF LYCOS, INC.

During the second fiscal quarter ended January 31, 1998, the Company sold 340,000 shares of Lycos stock on the open market and distributed 216,034 Lycos shares to the profit members of CMG@Ventures I LLC (formerly CMG@Ventures L.P.). Through the sale and distribution of Lycos shares, the Company's ownership percentage in Lycos has been reduced from just in excess of 50% at October 31, 1997, to below 50% beginning in November, 1997, and to 45% as of January 31, 1998. As such, starting in November, 1997, the Company began accounting for its remaining investment in Lycos under the equity method of accounting, rather than the consolidation method. Prior to these events, the operating results of Lycos were consolidated within the operating results of the Company's investment and development segment, and the assets and liabilities of Lycos were consolidated with those of CMG's other majority owned subsidiaries in the Company's consolidated balance sheets. The Company's historical quarterly consolidated operating results for the fiscal year ended July 31, 1997 and the fiscal quarter ended October 31, 1997 included Lycos sales and operating losses as follows:

(in thousands)

	Fiscal Quarter Ended				
	Oct. 31, 1996	Jan. 31, 1997	Apr. 30, 1997	Jul. 31, 1997	Oct. 31, 1997
Net revenues	\$3,663	\$ 5,004	\$ 5,853	\$ 7,753	\$ 9,303
Operating loss	\$(3,341)	\$(2,553)	\$(1,753)	\$(1,102)	\$ (433)

The Company's historical consolidated balance sheets as of July 31, 1997 and October 31, 1997 included Lycos current assets and liabilities and total assets and liabilities as follows:

	Jul. 31, 1997	Oct. 31, 1997
Current assets	\$60,745	\$63,935
Total assets	\$65,419	\$67,694
Current liabilities	\$22,615	\$25,822
Total liabilities	\$27,772	\$29,259

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

B. DECONSOLIDATION OF LYCOS, INC. (CONTINUED)

The following table contains the summarized financial information for Lycos subsequent to deconsolidation in November, 1997:

(in thousands)

Condensed Statement of Operations:

	Quarter Ended Jan. 31, 1998 -----
Net revenues	\$12,603 =====
Operating loss	\$ (263) =====
Net income	\$ 301 =====

Condensed Balance Sheet:

	Jan. 31, 1998 -----
Current assets	\$65,569
Noncurrent assets	6,132 -----
Total assets	\$71,701 =====
Current liabilities	\$26,609
Noncurrent liabilities	6,009
Stockholders' equity	39,083 -----
Total liabilities and stockholders' equity	\$71,701 =====

C. SALE OF ENGAGE DATA WAREHOUSE PRODUCTS AND RESTRUCTURING OF ENGAGE TECHNOLOGIES

From its inception in August, 1995, through July 31, 1997, the Company's wholly-owned subsidiary, Engage Technologies, Inc. (Engage) focused on providing traditional mailing list maintenance and database services (through its ListLab division), and on developing data mining, querying, analysis and targeting software products for use in large database applications. As such, the results of Engage's operations were classified in the Company's list and database services segment through July 31, 1997. During the first quarter of fiscal 1998, Engage sold certain rights to its Engage.Fusion(TM) and Engage.Discover(TM) data warehouse products to Red Brick Systems, Inc. (Red Brick) for \$9.5 million and 238,160 shares of Red Brick common stock, and recorded a pretax gain of \$8,437,000 on the sale. These highly advanced products had been developed to accelerate the design and creation of very large data warehouses and perform high-end data query and analysis. Engage retained the exclusive right to sell Engage.Fusion and Engage.Discover to interactive media markets as part of its Engage Product Suite. Additionally, during the first quarter of fiscal year 1998, Engage transferred its ListLab division to the Company's recently formed subsidiary, CMG Direct Corporation. With the sale of these rights and transfer of its ListLab division, Engage has narrowed its focus to the Internet software solutions market, where it seeks to help companies individually distinguish, understand and interact with anonymous prospects and customers in personalized marketing, sales, and service relationships via the Internet. As a result of this repositioning, beginning in fiscal year 1998, the operating results of Engage are now classified in the Company's investment and development segment.

The 238,160 shares of Red Brick common stock received from the sale of Engage's data warehouse products are subject to a one year restriction on transferability, and have been classified in available-for-sale securities, with a carrying value of \$1,200,000, net of market value discount to reflect the holding period requirement. The estimated fair value of these shares approximates their carrying value as of January 31, 1998.

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

D. SALES AND DISTRIBUTIONS OF LYCOS AND PREMIERE TECHNOLOGIES STOCK

During the first six months of fiscal 1998, CMG@Ventures I LLC (formerly CMG@Ventures L.P.) distributed 2,033,334 of its shares of Lycos, Inc. (Lycos) common stock to the Company, and 382,544 shares to CMG@Ventures I LLC's profit members. During fiscal 1998, the Company filed with the SEC on Form 144 its intent to sell 700,000 of its shares of Lycos stock on the open market. During the first quarter of fiscal 1998, the Company sold 219,900 of its Lycos shares for proceeds of \$7,149,000 and recognized a pretax gain of \$6,324,000 on the sales. The Company sold an additional 340,000 of its Lycos shares during the second quarter of fiscal 1998 for proceeds of \$11,649,000 and recognized a pretax gain of \$10,764,000 on the sales. The gains on the Company's sales of Lycos shares are reported net of the associated interest attributed to CMG@Ventures I LLC's profit members.

During the first quarter of fiscal year 1998, CMG@Ventures I LLC distributed 224,795 of its shares of Premiere Technologies, Inc. (Premiere) common stock to the Company, and allocated 58,538 Premiere shares to CMG@Ventures I LLC's profit members. The Company sold its 224,795 shares during the first quarter for proceeds of \$7,555,000, realizing a net gain of \$4,174,000 on the sale.

E. SALE OF COMMON STOCK TO INTEL CORPORATION

Pursuant to a stock purchase agreement entered into as of December 19, 1997, the Company sold 503,002 shares of its common stock (the "CMG Shares") to Intel Corporation (Intel) on December 19, 1997, representing 4.9% of CMG's total outstanding shares of common stock following the sale. The CMG Shares were priced at \$21.74 per share, with proceeds to CMG totaling \$10,937,000. The CMG Shares purchased by Intel are not registered under the Securities Act of 1933, as amended. Under the terms of the agreement, Intel is entitled to two demand registration rights as well as piggyback registration rights. Additionally, Intel is subject to "stand still" provisions, whereby it is prohibited for a period of three years, without the consent of CMG, (i) from increasing its ownership in CMG above ten percent of CMG's outstanding shares, (ii) from exercising any control or influence over CMG, and (iii) from entering into any voting agreement with respect to its CMG Shares.

F. ACQUISITIONS AND INVESTMENTS

During the first quarter of fiscal 1998, the Company, through its limited liability company subsidiaries, CMG@Ventures I LLC and CMG@Ventures II LLC (together CMG@Ventures), invested a total of \$3,016,000 to acquire an initial 11% minority ownership interest in Chemdex Corporation (Chemdex), a developer of an online marketplace for life science products, an initial 22% interest in Speech Machines plc (Speech Machines), a developer of productivity-enhancing technologies using advanced speech recognition applications, and to participate in a follow on equity round of financing raised by GeoCities. During the first quarter of fiscal 1998, the Company's investment in Chemdex was carried at cost in CMG's financial statements. The Company's investment in Speech Machines is accounted for under the equity method. The GeoCities financing round included participation from outside investors, and afterwards, the Company's ownership in GeoCities remained unchanged at 41%. Also in the first quarter of fiscal year 1998, the Company, through CMG@Ventures, exercised 96,000 Lycos options for an investment of \$192,000, and provided \$500,000 of bridge loan financing to Parable LLC. CMG had initially purchased its 96,000 Lycos options in fiscal 1997 for \$456,000.

In addition, the Company formed a new wholly owned subsidiary, THE PASSWORD Internet Publishing Corporation (THE PASSWORD), during the first quarter of fiscal 1998. THE PASSWORD uses the core ECHO (TM) technology developed by InfoMation Publishing Corporation, to provide an Internet service which packages content, commerce and community around highly specific, special interests. The results of operations of THE PASSWORD are included in the Company's investment and development segment.

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

F. ACQUISITIONS AND INVESTMENTS (CONTINUED)

During the second quarter of fiscal 1998, CMG @Ventures invested a total of \$2,800,000 in additional equity rounds of Sage Enterprises, Inc. (Sage Enterprises), Speech Machines and Chemdex. As a result of these investments, the Company's ownership interests in Sage Enterprises, Speech Machines and Chemdex increased to 29%, 29% and just in excess of 20%, respectively. As a result of the Company's ownership interest in Chemdex increasing from 11% to just in excess of 20%, the Company began accounting for its investment in Chemdex on the equity method during the second quarter. CMG@Ventures also provided bridge loan financing totaling \$1,071,000 to Parable LLC and Reel.com LLC during the second quarter of fiscal 1998.

Also in the second quarter of fiscal 1998, GeoCities raised \$25,000,000 in additional equity financing from SOFTBANK Holdings, Inc. As a result of the additional shares issued by GeoCities, CMG@Ventures' ownership interest in GeoCities decreased from 41% to 35%.

The acquisition accounting and valuation for the total of \$1,800,000 invested in Speech Machines by the Company during fiscal 1998 resulted in \$875,000 being identified as in-process research and development, which was expensed during the second quarter because technological feasibility had not been reached at the dates the investments were made. The acquisition accounting and valuation for the Company's investments in Sage Enterprises and Chemdex, totaling \$3,250,000 to date, could result in a significant portion of the purchase price being identified as in-process research and development. These amounts, if any, will be charged to operating results in the third quarter of fiscal 1998 when the acquisition accounting and valuation for these investments are determined.

G. NOTES PAYABLE

On January 20, 1998, the Company renewed its collateralized corporate borrowing for an additional term of one year and increased the outstanding principal amount under this facility from \$10,000,000 to \$20,000,000. This borrowing is secured by 1,255,789 of the Company's shares of Lycos common stock, with interest payable quarterly at a rate of LIBOR plus 1.75%. Under this agreement, the Company could become subject to additional collateral requirements under certain circumstances. The Company has entered into an interest rate swap arrangement which effectively fixed the interest rate on this \$20 million debt at a rate of 7.40% beginning April 20, 1998 through January 20, 1999. Also on January 20, 1998, the Company's corporate line of credit facility was amended to reduce the allowable borrowings from \$10,000,000 to \$5,000,000. The Company has no outstanding borrowings under this facility as of January 31, 1998.

Notes payable at January 31, 1998 also include \$2,700,000 owed by the Company's subsidiary, SalesLink Corporation, under its line of credit facility.

H. EARNINGS (LOSS) PER SHARE

During the quarter ended January 31, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share". SFAS No. 128 required the Company to change the method formerly used to compute earnings per share and to restate all prior periods presented. Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. Weighted average common equivalent shares outstanding during the period, using the "treasury stock method", are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive. Accordingly, since the Company reported a net loss for the three and six month periods ended January 31, 1998 and the six month period ended January 31, 1997, common equivalent shares have not been included in the calculation of diluted earnings per share for these periods.

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

H. EARNINGS (LOSS) PER SHARE (CONTINUED)

If a subsidiary has dilutive stock options or warrants outstanding, diluted earnings per share is computed by first deducting from net income (loss), the income attributable to the potential exercise of the dilutive stock options or warrants of the subsidiary. Accordingly, the Company's net loss for the three and six months ended January 31, 1998 has been increased by \$19,000 and \$102,000, respectively, for purposes of calculating diluted net loss per share.

The following table sets forth the reconciliation of the net income (loss) per share calculation per SFAS No. 128:

(in thousands, except per share amounts)

	Three months ended January 31,		Six months ended January 31,	
	1998	1997	1998	1997
Basic net income (loss) per share:				

Net income (loss) (A)	\$(5,834)	\$ 666	\$(3,149)	\$(6,731)
Weighted average common shares outstanding (B)	10,040	9,198	9,828	9,140
Basic net income (loss) per share (A/B)	\$ (0.58)	\$ 0.07	\$ (0.32)	\$ (0.74)
Diluted net income (loss) per share:				

Net income (loss)	\$(5,834)	\$ 666	\$(3,149)	\$(6,731)
Net effect of income attributable to dilutive subsidiary stock equivalents	(19)	--	(102)	--
Net income (loss) available to common stockholders (C)	\$(5,853)	\$ 666	\$(3,251)	\$(6,731)
Weighted average common shares outstanding	10,040	9,198	9,828	9,140
Weighted average dilutive common stock equivalents outstanding	--	573	--	--
Shares used in calculating per share amount (D)	10,040	9,771	9,828	9,140
Diluted net income (loss) per share (C/D)	\$ (0.58)	\$ 0.07	\$ (0.33)	\$ (0.74)

I. CONSOLIDATED STATEMENTS OF CASH FLOWS SUPPLEMENTAL INFORMATION

	Six months ended January 31,	
	1998	1997
Cash paid during the period for:		
Interest	\$1,334	\$ 253
Income taxes	\$ 383	\$ 675

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

J. 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 January 31,		Six months ended January 31,	
	1998	1997	1998	1997
Net revenues:				
Investment and development	\$ 1,760,000	\$ 5,443,000	\$ 12,331,000	\$ 9,439,000
Fulfillment services	13,470,000	10,615,000	25,494,000	14,159,000
Lists and database services	2,588,000	2,839,000	5,128,000	5,939,000
	\$ 17,818,000	\$ 18,897,000	\$ 42,953,000	\$ 29,537,000
Operating income (loss):				
Investment and development	\$(14,786,000)	\$(11,735,000)	\$(28,045,000)	\$(25,346,000)
Fulfillment services	1,149,000	1,512,000	2,210,000	2,097,000
Lists and database services	173,000	(2,586,000)	132,000	(4,009,000)
	\$(13,464,000)	\$(12,809,000)	\$(25,703,000)	\$(27,258,000)

K. Subsequent Events

On February 11, 1998, Lycos acquired Tripod, Inc. (Tripod). All outstanding shares of Tripod and warrants and options to purchase Tripod stock were converted into 1,560,363 shares of Lycos common stock and options and warrants to purchase Lycos common stock. The acquisition will be accounted for as a purchase by Lycos. Results of operations for Tripod will be consolidated with those of Lycos for periods subsequent to the date of acquisition.

Pursuant to a stock purchase agreement entered into as of February 15, 1998, the Company sold 312,500 shares of its common stock ("the CMG Shares") to Sumitomo Corporation ("Sumitomo") on February 27, 1998. The CMG Shares were priced at \$32.00 per share, with proceeds to CMG totaling \$10,000,000. The CMG Shares purchased by Sumitomo are not registered under the Securities Act of 1933, as amended, and carry a one year restriction on transfer or sale. Under the terms of the agreement and following the one-year period, Sumitomo is entitled to two demand registration rights as well as piggyback registration rights. Additionally, Sumitomo is subject to "stand still" provisions, whereby it is prohibited for a period of three years, without the consent of CMG, from (i) increasing its ownership in CMG above ten percent of CMG's outstanding shares, (ii) proposing or soliciting any person to propose a business combination with, or change of control of, CMG, (iii) making, proposing or soliciting any person to propose a tender offer for CMG stock, and (iv) entering into any voting agreement with respect to its CMG Shares.

On March 12, 1998, the Company announced a letter agreement to purchase Accipiter, Inc., a provider of Internet advertising management solutions, for CMG stock initially valued at \$35 million. Under the terms of the agreement, Accipiter will become a wholly owned subsidiary of CMG and will ultimately be merged with CMG's subsidiary, Engage Technologies, Inc. The transaction will be accounted for as a purchase.

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 Annual Report on Form 10-K for the year ended July 31, 1997.

DECONSOLIDATION OF LYCOS, INC, BEGINNING NOVEMBER, 1997

During the second fiscal quarter ended January 31, 1998, the Company sold 340,000 shares of Lycos stock on the open market and distributed 216,034 Lycos shares to the profit members of CMG@Ventures I LLC (formerly CMG@Ventures, L.P.). Through the sale and distribution of Lycos shares, the Company's ownership percentage in Lycos has been reduced from just in excess of 50% at October 31, 1997, to below 50% beginning in November, 1997, and to 45% as of January 31, 1998. As such, starting in November, 1997, the Company began accounting for its remaining investment in Lycos under the equity method of accounting, rather than the consolidation method. Prior to these events, the operating results of Lycos were consolidated within the operating results of the Company's investment and development segment, and the assets and liabilities of Lycos were consolidated with those of CMG's other majority owned subsidiaries in the Company's consolidated balance sheets. The Company's historical quarterly consolidated operating results for the fiscal year ended July 31, 1997 and the fiscal quarter ended October 31, 1997 included Lycos sales and operating losses as follows:

(in thousands)

	Fiscal Quarter ended				
	Oct. 31, 1996	Jan. 31, 1997	Apr. 30, 1997	Jul. 31, 1997	Oct. 31, 1997
Net revenues	\$ 3,663	\$5,004	\$5,853	\$7,753	\$9,303
Operating loss	\$(3,341)	\$(2,553)	\$(1,753)	\$(1,102)	\$ (433)

The Company's historical consolidated Balance Sheets as of July 31, 1997 and October 31, 1997 included Lycos current assets and liabilities and total assets and liabilities as follows:

	Jul. 31, 1997	Oct. 31, 1997
Current assets	\$60,745	\$63,935
Total assets	\$65,419	\$67,694
Current liabilities	\$22,615	\$25,822
Total liabilities	\$27,772	\$29,259

SALE OF ENGAGE DATA WAREHOUSE PRODUCTS AND RESTRUCTURING OF ENGAGE TECHNOLOGIES

From its inception in August, 1995, through July 31, 1997, the Company's wholly-owned subsidiary, Engage Technologies, Inc. (Engage) focused on providing traditional mailing list maintenance and database services (through its ListLab division), and on developing data mining, querying, analysis and targeting software products for use in large database applications. As such, the results of Engage's operations were classified in the Company's list and database services segment. During the first quarter of fiscal 1998, Engage sold certain rights to its Engage.Fusion(TM) and Engage.Discover(TM) data warehouse products to Red Brick Systems, Inc. (Red Brick) for \$9.5 million and 238,160 shares of Red Brick common stock. These highly advanced products had been developed to accelerate the design and creation of very large data warehouses and perform high-end data query and analysis. Engage retained the exclusive right to sell Engage.Fusion and Engage.Discover to interactive media markets as part of its Engage Product Suite. Additionally, during the first quarter of fiscal year 1998, Engage transferred its ListLab division to the Company's recently formed subsidiary, CMG Direct Corporation. With the sale of these rights and transfer of its ListLab division, Engage narrowed its focus to the Internet software solutions market, where it seeks to help companies individually distinguish, understand and interact with anonymous prospects and customers in personalized marketing, sales, and service relationships via the Internet. As a result of this repositioning, beginning in fiscal year 1998, the operating results of Engage are now classified in the Company's investment and development segment.

CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
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THREE MONTHS ENDED JANUARY 31, 1998 COMPARED TO THREE MONTHS ENDED JANUARY 31, 1997

Net revenues for the Company's second fiscal quarter ended January 31, 1998 decreased \$1,079,000, or 6%, to \$17,818,000 from \$18,897,000 for the quarter ended January 31, 1997. The net decrease reflects decreases of \$3,683,000 and \$251,000 in the Company's investment and development, and lists and database services segments, respectively, partially offset by an increase of \$2,855,000 for the Company's fulfillment services segment. The investment and development segment decrease primarily reflects the impact of deconsolidating Lycos, which comprised \$5,004,000 of prior year second quarter net revenues, offset by the impact of consolidating Vicinity's results beginning in the fourth quarter of fiscal year 1997. The increase in fulfillment services segment revenues primarily reflects additional turnkey business from existing customers. Net revenues in the Company's lists and database services segment decreased by \$251,000, primarily reflecting reduced sales from a significant customer. The Company believes that its portfolio of companies will continue to develop and introduce their products commercially, actively pursue increased revenues from new and existing customers, and look to expand into new market opportunities. Therefore, absent the impact of the change in accounting for Lycos, the Company expects to report future revenue growth.

Cost of revenues increased \$4,406,000, or 39%, to \$15,692,000 in the second quarter of fiscal 1998 from \$11,286,000 for the corresponding period in fiscal 1997, reflecting increases of \$2,829,000 and \$1,936,000 in the fulfillment services and investment and development segments, respectively, offset by a \$359,000 decrease in the lists and database services segment. The increase in the investment and development segment primarily resulted from the commencement of operations at the Company's Navisite, Engage, Planet Direct and ADSmart subsidiaries, and the impact of consolidating Vicinity beginning in fourth quarter fiscal 1997, offset by the impact of deconsolidating Lycos. Lycos comprised \$1,090,000 of prior year second quarter cost of revenues. The start up of Internet operations at Navisite, Engage, Planet Direct and ADSmart, with minimal revenues during early stages, is the primary reason cost of revenues as a percentage of revenues in the investment and development segment increased from 35% in the second quarter of fiscal 1997 to 218% in the second quarter of fiscal 1998. In the fulfillment services segment, cost of revenues increased as a result of revenue increases, and increased as a percentage of net revenues to 78% in the second quarter of fiscal 1998 from 72% in the second quarter of fiscal 1997, due to a shift in mix of services from literature fulfillment towards lower margin turnkey business. Compared with the second quarter of fiscal year 1997, cost of revenues in the lists and database services segment decreased as result of the combined impact of sales decreases and operating cost reductions. Operating cost savings in the lists and database services segment resulted in a reduction of cost of revenues as a percentage of net revenues to 55% from 63% in last year's second quarter.

Research and development expenses decreased \$2,093,000, or 31%, to \$4,639,000 in the quarter ended January 31, 1998 from \$6,732,000 in the prior year's second quarter, primarily reflecting decreases of \$1,609,000 and \$471,000 in the lists and database services and investment and development segments, respectively. The lists and database services segment decrease primarily reflects the removal of Engage from the segment. Investment and development segment results include a \$976,000 reduction from deconsolidating Lycos, reduced development costs associated with the progression of Planet Direct, ADSmart and Blaxxun from initial development stages towards commercial operations, and reductions associated with NetCarta Corporation, whose results were included during the second quarter of fiscal year 1997, but have not been included since the sale of NetCarta to Microsoft in January, 1997. Partially offsetting such reductions, investment and development segment results include increases associated with the inclusion of Engage and increases associated with the impact of consolidating Vicinity's results beginning in the fourth quarter of fiscal year 1997. In addition, the Company recorded \$875,000 of in-process research and development expense during the second quarter of fiscal 1998 related to CMG@Ventures II's investments in Speech Machines. Further, related to CMG@Ventures investments made during the second quarter of fiscal year 1998, the acquisition accounting and valuation for total investments of \$3.3 million in Chemdex and Sage Enterprises may result in a significant portion of the purchase price being identified as in-process research and development, which will be charged to operating results in the third quarter when the amount is determined. The Company anticipates it will continue to devote substantial resources to product development and that, absent the impact of the Company's change in accounting for Lycos, these costs may substantially increase in future periods.

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

Selling expenses decreased \$3,429,000, or 38% to \$5,685,000 in the second quarter ended January 31, 1998 from \$9,114,000 for the corresponding period in fiscal 1997, primarily reflecting decreases of \$2,994,000 and \$484,000 in the investment and development and lists and database services segments, respectively. Investment and development segment results include a \$4,754,000 reduction from deconsolidating Lycos, reduced marketing expenses at Blaxxun, and reductions associated with NetCarta Corporation, whose results were included during the second quarter of fiscal year 1997, but have not been included since its January, 1997 sale. These decreases were partially offset by increased sales and marketing expenses related to several product launches, continued growth of sales and marketing infrastructures, and the addition of Engage to this segment. The lists and database services segment decrease primarily reflects the removal of Engage from the segment. Selling expenses decreased as a percentage of net revenues to 32% in the second quarter of fiscal 1998 from 48% for the corresponding period in fiscal 1997, primarily reflecting the impacts of the deconsolidation of Lycos and of increased revenues in the Company's fulfillment services segment. 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, absent the impact of the Company's change in accounting for Lycos, these costs will substantially increase in future periods.

General and administrative expenses decreased \$183,000, or 4%, to \$4,391,000 in the second quarter of fiscal 1998 from \$4,574,000 for the corresponding period in fiscal 1997. The investment and development segment experienced a net increase of \$22,000, reflecting increases due to the building of management infrastructures in several of the Company's Internet investments and the addition of Engage to this segment, offset by a \$737,000 reduction from deconsolidating Lycos and reductions associated with NetCarta Corporation, whose results have been excluded since its January, 1997 sale. General and administrative expenses in the fulfillment services segment increased by \$353,000 in comparison with last year's second quarter, reflecting the addition of management and infrastructure in support of growth in the segment. General and administrative expenses in the lists and database services segment decreased by \$558,000 versus the second quarter of fiscal 1997, reflecting the removal of Engage from this segment. General and administrative expenses increased slightly as a percentage of net sales to 25% in the second quarter of fiscal 1998 from 24% in the second quarter of fiscal 1997. Absent the impact of the Company's change in accounting for its investment in Lycos, the Company anticipates that its general and administrative expenses will continue to increase significantly 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 Lycos, Inc. common stock reflects the Company's net gain realized on the sale of 340,000 shares of Lycos stock. Gain on sale of NetCarta Corporation in fiscal year 1997 reflects the Company's pretax gain on sale of CMG@Ventures' NetCarta subsidiary on January 31, 1997. Interest expense increased \$289,000 compared with the second quarter of fiscal 1997, primarily due to higher average corporate borrowings related to the Company's \$10 million collateralized corporate note payable which was issued in January, 1997 and increased to \$20 million in January, 1998.

Equity in losses of affiliates resulted from the Company's ownership in certain investments that 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. Equity in losses of affiliates for the quarter ended January 31, 1998 include the results from the Company's minority ownership in Ikon Interactive, Inc., Parable, Silknet, GeoCities, Reel.com, Speech Machines, Lycos, Chemdex, and Sage Enterprises. Equity in losses of affiliates for the quarter ended January 31, 1997 included the results from the Company's minority ownership in Vicinity Corporation, Ikon Interactive, Inc., Parable, Silknet, and GeoCities. 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.

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

Minority interest decreased to zero in the second quarter of fiscal 1998 from \$1,025,000 in the corresponding period of fiscal 1997, primarily reflecting the deconsolidation of Lycos results beginning in the second quarter of fiscal year 1998, and the impact associated with FreeMark and GeoCities, whose results were included within the Company's consolidated statements of operations during a portion of the second quarter of fiscal year 1997, but not included in fiscal year 1998.

Income tax benefit in the second quarter of fiscal 1998 was \$265,000. 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 the second quarter of fiscal 1998, gain on sale of Lycos, Inc. common stock was excluded. The Company's effective tax rate differs materially from the federal statutory rate primarily due to the provision for state income taxes, non-deductible goodwill amortization and the Company's inability to record a tax benefit from losses of certain entities not included in the Company's consolidated income tax return.

SIX MONTHS ENDED JANUARY 31, 1998 COMPARED TO SIX MONTHS ENDED JANUARY 31, 1997

Net revenues increased \$13,416,000, or 45%, to \$42,953,000 for the six months ended January 31, 1998 from \$29,537,000 for the corresponding period in fiscal 1997. The net increase reflects increases of \$11,335,000 and \$2,892,000 in the Company's fulfillment services, and investment and development segments, respectively, partially offset by a decrease of \$811,000 for the Company's lists and database services segment. The increase in fulfillment services segment revenues reflects the acquisition of Pacific Link on October 24, 1996 and the subsequent addition of new turnkey business from existing customers. The investment and development segment increase primarily reflects the impact of consolidating Vicinity's results beginning in the fourth quarter of fiscal year 1997, commencement of operations at the Company's Navisite, Engage, Planet Direct and ADSmart subsidiaries, and \$657,000 higher revenues for the three months Lycos was consolidated in fiscal 1998 compared with the six months they were included in prior year. The net revenue decrease in the Company's lists and database services segment primarily reflects reduced sales from a significant customer. The Company believes that its portfolio of companies will continue to develop and introduce their products commercially, actively pursue increased revenues from new and existing customers, and look to expand into new market opportunities. Therefore, absent the impact of the change in accounting for Lycos, the Company expects to report future revenue growth.

Cost of revenues increased \$14,299,000, or 86%, to \$30,951,000 for the six months ended January 31, 1998 from \$16,652,000 for the corresponding period in fiscal 1997. Cost of revenues for the Company's fulfillment services, and investment and development segments increased \$9,751,000 and \$5,051,000, respectively, resulting from higher sales in both segments and commencement of operations at the Company's Navisite, Engage, Planet Direct and ADSmart subsidiaries within the investment and development segment. Lists and database services segment cost of revenues decreased \$503,000 as result of the combined impact of sales decreases and operating cost reductions during the second quarter of fiscal 1998. The start up of Internet operations at Navisite, Engage, Planet Direct and ADSmart, with minimal revenues during early stages, is the primary reason cost of revenues as a percentage of revenues in the investment and development segment increased from 35% in the first six months of fiscal 1997 to 68% in the first six months of fiscal 1998. In the fulfillment services segment, cost of revenues increased as a percentage of net revenues to 77% in the first six months of fiscal 1998 from 69% in the first half of fiscal 1997, due to a shift in mix of services from literature fulfillment towards lower margin turnkey business.

Research and development expenses decreased \$884,000, or 8%, to \$10,813,000 in the six months ended January 31, 1998 from \$11,697,000 for the corresponding fiscal 1996 period, primarily reflecting a decrease of \$2,727,000 in the Company's lists and database services segment, partially offset by an increase of \$1,875,000 in the investment and development segments. The lists and database services segment decrease primarily reflects the removal of Engage from the segment. Investment and development segment results include increases associated with the inclusion of Engage, the impact of consolidating Vicinity's results beginning in the fourth quarter of fiscal year 1997, and increased development costs for InfoMation and The Password.

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

Partially offsetting such increases, investment and development segment results include a \$508,000 reduction from deconsolidating Lycos, reduced development costs associated with the progression of Planet Direct, ADSmart and Blaxxun from initial development stages towards commercial operations, and reductions associated with NetCarta Corporation, whose results were included during the first half of fiscal year 1997, but have been excluded since the sale of NetCarta to Microsoft in January, 1997. In addition, the Company recorded \$875,000 of in-process research and development expense during the second quarter of fiscal 1998 related to CMG@Ventures II's investments in Speech Machines, compared to \$1,312,000 in the first half of fiscal 1997 related to investments in Parable and Silknet. Further, related to CMG@Ventures' investments made during the second quarter of fiscal year 1998, the acquisition accounting and valuation for total investments of \$3.3 million in Chemdex and Sage Enterprises may result in a significant portion of the purchase price being identified as in-process research and development, which will be charged to operating results in the third quarter when the amount is determined. The Company anticipates it will continue to devote substantial resources to product development and that, absent the impact of the Company's change in accounting for Lycos, these costs may substantially increase in future periods.

Selling expenses decreased \$1,595,000, or 9% to \$16,725,000 for the six months ended January 31, 1998 from \$18,320,000 for the corresponding period in fiscal 1997. The net decrease reflects decreases of \$1,297,000 and \$793,000 in the Company's investment and development, and lists and database services segments, respectively, partially offset by an increase of \$495,000 for the Company's fulfillment services segment. Investment and development segment results include a \$3,893,000 reduction from deconsolidating Lycos, reduced marketing expenses at Blaxxun, and reductions associated with NetCarta Corporation, FreeMark, and GeoCities, whose results were included during the first half of fiscal year 1997, but have not been included in fiscal 1998. These decreases were partially offset by increased sales and marketing expenses related to several product launches, continued growth of sales and marketing infrastructures, the addition of Engage to this segment, and the impact of consolidating Vicinity's results beginning in the fourth quarter of fiscal year 1997. The lists and database services segment decrease primarily reflects the removal of Engage from the segment, and the fulfillment services segment increase reflects the acquisition of Pacific Link on October 24, 1996. Selling expenses decreased as a percentage of net revenues to 39% in the first six months of fiscal 1998 from 62% for the corresponding period in fiscal 1997, primarily reflecting the impacts of the deconsolidation of Lycos and of increased revenues in the Company's fulfillment services segment. 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, absent the impact of the Company's change in accounting for Lycos, these costs will substantially increase in future periods.

General and administrative expenses increased \$478,000, or 5% to \$9,292,000 for the six months ended January 31, 1998 from \$8,814,000 for the corresponding period in fiscal 1997. The net increase reflects increases of \$1,008,000 and \$399,000 in the Company's fulfillment services, and investment and development segments, respectively, partially offset by a decrease of \$929,000 for the Company's lists and database services segment. The fulfillment services segment increase reflects the acquisition of Pacific Link on October 24, 1996 and the addition of management and infrastructure in support of growth in the segment. Investment and development segment results include increases due to the building of management infrastructures in several of the Company's Internet investments, the addition of Engage to this segment, and the impact of consolidating Vicinity's results beginning in the fourth quarter of fiscal year 1997. Such increases were partially offset by a \$374,000 reduction from deconsolidating Lycos, cost reductions at Blaxxun, and reductions associated with NetCarta Corporation, FreeMark, and GeoCities, whose results were included during the first half of fiscal year 1997, but have not been included in fiscal 1998. The lists and database services segment decrease primarily reflects the removal of Engage from the segment. General and administrative expenses decreased as a percentage of net revenues to 22% in the first six months of fiscal 1998 from 30% for the corresponding period in fiscal 1997, primarily reflecting the impact of increased revenues in the Company's fulfillment services segment. Absent the impact of the Company's change in accounting for Lycos, the Company anticipates that its general and administrative expenses will continue to increase significantly as the Company's subsidiaries, particularly in the investment and development segment, continue to grow and expand their administrative staffs and infrastructures.

CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
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Gain on sale of data warehouse product rights occurred when the Company's subsidiary, Engage, sold certain rights to its Engage.Fusion(TM) and Engage.Discover(TM) data warehouse products to Red Brick for \$9.5 million and 238,160 shares of Red Brick common stock. Gain on sale of Lycos, Inc. common stock reflects the Company's net gain realized on the sale of 559,900 shares of Lycos stock. Gain on sale of Premiere Technologies, Inc. common stock reflects the Company's net gain realized on the sale of 224,795 shares of Premiere Technologies, Inc. stock. Gain on sale of NetCarta Corporation in fiscal year 1997 reflects the Company's pretax gain on sale of CMG@Ventures' NetCarta subsidiary on January 31, 1997. Interest expense increased \$1,021,000 compared with the first six months of fiscal 1997, primarily due to borrowings incurred to finance the Company's acquisition of Pacific Link on October 24, 1996, and the impact of higher average corporate borrowings related to the Company's \$10 million collateralized corporate note payable which was issued in January, 1997 and increased to \$20 million in January, 1998.

Equity in losses of affiliates resulted from the Company's ownership in certain investments that 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. Equity in losses of affiliates for the six months ended January 31, 1998 include the results from the Company's minority ownership in Ikonic Interactive, Inc., Parable, Silknet, GeoCities, Reel.com, Speech Machines, Chemdex, and Sage Enterprises, and the results from Lycos beginning in November, 1997. Equity in losses of affiliates for the six months ended January 31, 1997 included the results from the Company's minority ownership in TeleT, Vicinity Corporation, Ikonic Interactive, Inc., Parable, Silknet, and GeoCities. 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 decreased to (\$28,000) in the first six months of fiscal 1998 from \$3,447,000 in the corresponding period of fiscal 1997, primarily reflecting the deconsolidation of Lycos results beginning in the second quarter of fiscal year 1998, and the impact associated with FreeMark and GeoCities, whose results were included within the Company's consolidated statements of operations during a portion of the first six months of fiscal year 1997, but excluded in fiscal year 1998.

Income tax expense in the first six months of fiscal 1998 was \$2,168,000. 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 the first six months of fiscal 1998, gain on sale of data warehouse product rights, gain on sale of Lycos, Inc. common stock, and gain on sale of Premiere Technologies, Inc. common stock were excluded. The Company's effective tax rate differs materially from the federal statutory rate primarily due to the provision for state income taxes, non-deductible goodwill amortization and the Company's inability to record a tax benefit from losses of certain entities not included in the Company's consolidated income tax return.

CMG INFORMATION SERVICES, INC. AND SUBSIDIARIES
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LIQUIDITY AND CAPITAL RESOURCES

Working capital at January 31, 1998 decreased to \$6.5 million compared to \$38.6 million at July 31, 1997, predominately as a result of deconsolidating Lycos. The Company's July 31, 1997 and October 31, 1997 consolidated working capital included Lycos working capital of \$38.1 million at each date. The Company's principal sources of capital during the first six months of fiscal 1998 were \$10,937,000 received from the sale of 503,002 CMG common shares to Intel Corporation, \$9,543,000 from the sale of Engage's data warehouse product rights, \$18,798,000 received from the sale of 559,900 shares of Lycos stock, and \$7,555,000 received from the sale of 224,795 shares of Premiere stock. The Company's principal uses of capital during the first six months of fiscal 1998 were \$27,248,000 for funding of operations, primarily those of start-up activities in the Company's investment and development segment, and \$7,387,000 for investments in or bridge loans to Chemdex, Speech Machines, GeoCities, Parable, Reel.com, and Sage Enterprises. During the first half of fiscal 1998, \$2,928,000 was also expended for purchases of property and equipment, and \$1,531,000 was expended for net repayments of long-term debt.

The Company's credit agreements include a \$5 million corporate line which expires on May 14, 1998 and had no outstanding balance at January 31, 1998. The Company's subsidiary, SalesLink, has a \$4.5 million line of credit agreement, which expires on October 1, 1998. SalesLink's line of credit had an outstanding balance of \$2,700,000 at January 31, 1998 and an additional \$800,000 reserved in support of outstanding letters of credit for operating leases.

On February 27, 1998, the Company sold 312,500 shares of its common stock ("the CMG Shares") to Sumitomo Corporation. The CMG Shares were priced at \$32.00 per share, with proceeds to CMG totaling \$10,000,000. The CMG Shares purchased by Sumitomo Corporation are not registered under the Securities Act of 1933, as amended, and carry a one year restriction on transfer or sale.

On March 12, 1998, the Company announced a letter agreement to purchase Accipiter, Inc., a provider of Internet advertising management solutions, for CMG stock initially valued at \$35 million. Under the terms of the agreement, Accipiter will become a wholly owned subsidiary of CMG and will ultimately be merged with CMG's subsidiary, Engage Technologies, Inc. The transaction will be accounted for as a purchase.

The Company intends to continue to fund existing and future Internet and interactive media investment and development efforts, and to actively seek new CMG@Ventures investment opportunities. The Company believes that existing working capital, available borrowings under the Company's corporate line of credit, cash proceeds from the sale of Lycos stock and proceeds from the sale of previously unissued stock to Sumitomo Corporation 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.

Management has reviewed the Company's systems relating to the year 2000 concerns and believes that the costs for compliance will not be material to the Company.

PART II: OTHER INFORMATION

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

On December 18, 1997 the Company held its annual meeting of stockholders. At the annual meeting the following matters were approved:

1. Craig D. Goldman was elected as a class I Director with 8,535,775 shares of Common Stock voting for such election and 76,996 shares of Common Stock being withheld.
2. An amendment to the Company's 1986 Stock Option Plan was approved limiting the number of shares of Common Stock subject to stock options that may be granted under the plan to any one person in any fiscal year to 200,000 shares. 8,392,730 shares of Common Stock were voted for such amendment, 210,144 shares of Common Stock were voted against such amendment and 9,897 shares of Common Stock abstained from the vote.
3. The appointment of KPMG Peat Marwick as the Company's independent auditors for the current fiscal year was ratified. 8,518,864 shares of Common Stock were voted for such ratification, 87,564 shares of Common Stock were voted against such ratification and 6,343 shares of Common Stock abstained from voting.

PART II: OTHER INFORMATION (CONTINUED)

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 promulgated under the Securities Exchange Act of 1934, as amended:

EXHIBIT NO.	TITLE	METHOD OF FILING
3 (i) (1)	Amendment to the Restated Certificate of Incorporation	Incorporated by reference to Exhibit 3 (i) (1) to the Registrant's quarterly report on Form 10-Q for the quarter ended April 30, 1996.
3 (i) (2)	Restated Certificate of Incorporation	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
3 (ii)	Restated By-Laws	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
4	Specimen stock certificate representing the common stock	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
10.1	ISDA Master Swap Agreement (the "Swap Agreement"), dated January 13, 1998, between BankBoston, N.A. and the Registrant.	Filed herewith.
10.2	Schedule to the Swap Agreement, dated January 13, 1998.	Filed herewith.
10.3	Confirmation to the Swap Agreement, dated January 13, 1998.	Filed herewith.
10.4	ISDA Credit Support Annex, dated January 13, 1998, between BankBoston, N.A. and the Registrant.	Filed herewith.
10.5	Agreement for the Assignment of Voting Rights, dated January 13, 1998, between the Registrant and Long Lane Master Trust.	Filed herewith.
10.6	Repurchase Agreement, dated January 13, 1998, between the Registrant and Long Lane Master Trust.	Filed herewith.
27.1	Restated Financial Data Schedule for the six months ended January 31, 1997.	Filed herewith.
27.2	Financial Data Schedule for the six months ended January 31, 1998.	Filed herewith.

(B) Reports on Form 8-K.

On December 29, 1997, the Company filed a report on Form 8-K dated December 19, 1997 in conjunction with the sale by the Company of 503,002 shares of its common stock to Intel Corporation.

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: March 17, 1998

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(Local Currency--Single Jurisdiction)

ISDA(R)
International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of January 13, 1998

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

Accordingly, the parties agree as follows:--

1. Interpretation

- (a) Definitions. The terms defined in Section 12 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.
- (b) Inconsistency. In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.
- (c) Single Agreement. All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

- (a) General Conditions.
 - (i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.
 - (ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will

be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) Change of Account. Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) Netting. If on any date amounts would otherwise be payable:--

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that Subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of branches or offices through which the parties make and receive payments or deliveries.

(d) Default Interest; Other Amounts. Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into) that:--

(a) Basic Representations.

(i) Status. It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;

(ii) Powers. It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;

(iii) No Violation or Conflict. Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) Consents. All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) Obligations Binding. Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) Absence of Certain Events. No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) Absence of Litigation. There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) Accuracy of Specified Information. All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:--

- (a) **Furnish Specified Information.** It will deliver to the other party any forms, documents or certificates specified in the Schedule or any Confirmation by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.
- (b) **Maintain Authorisations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.
- (c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

5. Events of Default and Termination Events

(a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:--

- (i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

- (ii) **Breach of Agreement.** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) or to give notice of a Termination Event) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

- (iii) **Credit Support Default.**

- (1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

- (2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document:

(iv) Misrepresentation. A representation made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) Default under Specified Transaction. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) Cross Default. If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individual or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) Bankruptcy. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:--

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional

liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) Merger Without Assumption. The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:--

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) Termination Events. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to (ii) below or an Additional Termination Event if the event is specified pursuant to (iii) below:--

(i) Illegality. Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):--

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) Credit Event Upon Merger. If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event

described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(iii) Additional Termination Event. If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) Event of Default and Illegality. If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. Early Termination

(a) Right to Terminate Following Event of Default. If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) Right to Terminate Following Termination Event.

(i) Notice. If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) Two Affected Parties. If an Illegality under Section 5(b)(i)(1) occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iii) Right to Terminate. If:-

(1) an agreement under Section 6(b)(ii) has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality other than that referred to in Section 6(b)(ii), a Credit Event Upon Merger or an Additional Termination Event occurs,

either party in the case of an Illegality, any Affected Party in the case of an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) Effect of Designation.

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(d) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) Calculations.

(i) Statement. On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) Payment Date. An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment), from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) Payments on Early Termination. If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) Events of Default. If the Early Termination Date results from an Event of Default:--

(1) First Method and Market Quotation. If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party over (B) the Unpaid Amounts owing to the Defaulting Party.

(2) First Method and Loss. If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) Second Method and Market Quotation. If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party less (B) the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) Second Method and Loss. If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) Termination Events. If the Early Termination Date results from a Termination Event:--

(1) One Affected Party. If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) Two Affected Parties. If there are two Affected Parties:--

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Unpaid Amounts owing to X less (II) the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all terminated Transactions) and an amount will be payable equal to one-half

of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) Adjustment for Bankruptcy. In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) Pre-Estimate. The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. Transfer

Neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:--

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e)

Any purported transfer that is not in compliance with this Section will be void.

8. Miscellaneous

(a) Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) Amendments. No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) Survival of Obligations. Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) Remedies Cumulative. Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) Counterparts and Confirmations.

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) No Waiver of Rights. A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) Headings. The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

9. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

10. Notices

(a) Effectiveness. Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:--

- (i) if in writing and delivered in person or by courier, on the date it is delivered;
- (ii) if sent by telex, on the date the recipient's answerback is received;
- (iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving

receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine):

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) Change of Addresses. Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

11. Governing Law and Jurisdiction

(a) Governing Law. This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) Jurisdiction. With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:--

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of proceedings in any other jurisdiction.

(c) Waiver of Immunities. Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

12. Definitions

As used in this Agreement:--

"Additional Termination Event" has the meaning specified in Section 5(b).

"Affected Party" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Applicable Rate" means:--

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

"Consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iii).

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Illegality" has the meanings specified in Section 5(b).

"Law" includes any treaty, law, rule or regulation and "lawful" and "unlawful" will be construed accordingly.

"Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

"Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 9. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

"Market Quotation" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as

reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

"Non-default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

"Non-defaulting Party" has the meaning specified in Section 6(a).

"Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Reference Market-makers" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"Scheduled Payment Date" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"Set-off" means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

"Settlement Amount" means, with respect to a party and any Early Termination Date, the sum of:-

(a) the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

"Specified Entity" has the meaning specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

"Termination Event" means an Illegality or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

BANKBOSTON, N.A.
(Name of Party)

CMG INFORMATION SERVICES, INC.
(Name of Party)

By: /s/ Liam G. Stokes 1/12/98

By: /s/ Andrew J. Hajducky

Name: Liam G. Stokes
Title: Director
Date:

Name: Andy Hajducky
Title: Chief Financial Officer
Date: 1/13/98

SCHEDULE
to the
Master Agreement
dated as of January 13, 1998
between

BankBoston, N.A. and CMG Information Services, Inc.
(the "Counterparty")

("Bank")

Part 1

Termination Provisions

In this Agreement:

(1) "Specified Entity":

(a) means, in relation to Bank, none, and

(b) means, in relation to the Counterparty, all affiliates of the Counterparty, including, without limitation, Direct Interactive Inc., Saleslink Corporation, and Pacific Direct Marketing Corp.

(2) "Specified Transaction" will have the meaning specified in Section 12 of this Agreement. Specified Transaction for purposes of clause (c) of the definition thereof shall also mean the Repurchase Agreement, dated as of January 13, 1998, between the Counterparty and Long Lane Master Trust.

(3) The "Cross Default" provisions of Section 5(a)(vi) will apply to Bank and the Counterparty, and for such purpose:

(a) "Specified Indebtedness" means (i) with respect to either party hereto, any obligation (whether present or future, contingent or otherwise, as

principal or surety or otherwise) in respect of borrowed money and (ii) with respect to the Counterparty, the Revolving Credit and Term Loan Agreement, dated as of October 24, 1996 among the Bank, the Counterparty, Saleslink Corporation, Pacific Direct Marketing Corp., and the other lending institutions set forth on Schedule I thereto.

(b) "Threshold Amount" means (i) in relation to Bank, an amount equal to 3 percent of the total stockholders' equity of Bank and (ii) in relation to the Counterparty, U.S. \$500,000.

(4) "Termination Currency" means United States Dollars.

(5) The "Credit Event Upon Merger" provisions of Section 5(b)(iv) of the Agreement will apply to Bank and the Counterparty.

(6) "Additional Termination Event" means for purposes of Section 5(c), any termination by the Counterparty, at its sole discretion, upon delivery of written notice to the Bank five Business Days prior to such termination.

(7) The "Automatic Early Termination" provisions of Section 6(a) will not apply to either party.

(8) For purposes of computing amounts payable on early termination:

(a) Market Quotation will apply to this Agreement, and

(b) The Second Method will apply to this Agreement.

Part 2

Agreement to Deliver Documents

For the purpose of Section 4(a), each party agrees to deliver the following documents, as applicable.

Party required to deliver document -----	Form/Document Certificate -----	Date by which to be delivered -----
Counterparty	An executed United States Internal Revenue Service form W-9 (or any successor thereto).	Upon execution of this Agreement

Party required to deliver document -----	Form/Document Certificate -----	Date by which to be delivered -----	Covered by Section 3(d) Representation -----
Counterparty and Bank	A certificate of an authorized officer for such party certifying the authority, names and true signatures of the officers signing this Agreement and each Confirmation reasonably satisfactory in form and substance to each party.	Upon execution of this Agreement and as deemed necessary for any further documentation.	Yes
Counterparty	Certified copies of documents evidencing each action taken by Counterparty to authorize its execution of this Agreement, and each Confirmation, and the performance of its obligations hereunder as well as its bylaws and articles of incorporation.	Upon execution of this Agreement.	Yes
Counterparty	Annual audited financial statements prepared in accordance with generally accepted accounting principles in the United States.	Promptly upon request.	Yes
Counterparty	Quarterly unaudited financial statements prepared in accordance with generally accepted accounting principles in the United States.	Promptly upon request.	Yes
Counterparty	A written opinion of legal counsel to Counterparty reasonably satisfactory in form and substance to Bank.	Upon execution of this Agreement if requested and as deemed necessary.	No
Counterparty	Such other documents as Bank may reasonably request in connection with each transaction.	Promptly upon request.	Yes

Part 3

Miscellaneous

- (1) Governing Law. This Agreement will be governed by and construed in

accordance with the laws of the State of New York without reference to
choice of law doctrine.
- (2) Notices.

- (a) In connection with Section 10, all notices to Bank shall, with respect
to any particular Transaction, be sent to the address, telex number or
facsimile number specified in the relevant Confirmation, and any
notice for purposes of Sections 5 or 6 shall be sent to the address,
telex number or facsimile number specified below.
- BankBoston, N.A.
100 Federal Street
Boston, MA 02110
Attention:
Telex:
Answerback:
Facsimile No.:
- (b) In connection with Section 10, all notices to the Counterparty shall,
with respect to any particular Transaction, be sent to the address,
telex number or facsimile number specified in the relevant
Confirmation and any notice for purposes of Section 5 or 6 shall be
sent to the address, telex number or facsimile number specified below:
- CMG Information Services, Inc.
100 Brickstone Square
Andover, MA 01810
Attention:
Telex:
Answerback:
Facsimile No.:
- (3) Netting of Payments. Section 2(c)(ii) of this Agreement will apply with

respect to all Transactions under this Agreement.

(4) Credit Support Documents

With respect to this Agreement, Credit Support Document means the ISDA Credit Support Annex, dated the date hereof, between the parties hereto, which shall provide credit support for the obligations of the Counterparty to the Bank and which shall have an Independent Amount equal to \$23,000,000.

(5) Credit Support Provider

None.

Part 4

Other Provisions

(1) ISDA Definitions. Reference is hereby made to the 1991 ISDA Definitions

(the "ISDA Definitions") each as published by the International Swaps and Derivatives Association, Inc., which are hereby incorporated by reference herein. Any terms used and not otherwise defined herein which are contained in the ISDA Definitions shall have the meaning set forth therein.

(2) Set-off. "Set-off" shall, for purposes of this Agreement and any Credit

Support Document, have the meaning set forth in Section 12 and shall include without limitation the rights in Section 6(f). Section 6 of this Agreement is modified to include the following additional sub-clause (f):

"(f) Set-off. Any amount (the "Early Termination Amount") payable to one party (the "Payee") by the other party (the "Payer") under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party will, at the option of the party ("X") other than the Defaulting Party or Affected Party (and without prior notice to same) be reduced by its set-off against any amount(s) (the "Other Agreement Amount") payable (whether at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payer (irrespective of the place of payment or booking office of such obligation) under any other agreement(s) between the Payee and the Payer or instrument(s) or undertaking(s) issued or executed by one party to, or in favor of, the other party

(and the Other Agreement Amount(s) will be discharged promptly and in all respects to the extent it is so set-off). X will give notice to the other party of any set-off effected under this Section 6(f).

If an obligation is unascertained, X may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off otherwise available to a party (whether by operation of law, contract, or otherwise)."

(3) Calculation Agent. The Calculation Agent will be Bank.

(4) Severability. In the event any one or more of the provisions contained in

this Agreement should be held invalid, illegal, or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor, in good faith negotiations, to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

(5) Non-Reliance. In connection with the negotiation of the entering into, and

the confirming of the execution of this Agreement, each Transaction, and any other documentation relating to this Agreement to which the Counterparty is a party or that the Counterparty is required by this Agreement to deliver:

(i) the Counterparty is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisors as it has deemed necessary;

- (ii) the Counterparty is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel, or representations (whether written or oral) of the other party to this Agreement, each Transaction or such other documentation other than the representations expressly set forth in this Agreement, and in any Confirmation; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction;
- (iii) the Counterparty has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment, hedging and trading decisions (including decisions regarding the suitability of any Transaction pursuant to this Agreement) based upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the other party to this Agreement, each Transaction or such other documentation;
- (iv) the Counterparty is capable of assessing the merits of and evaluating and understanding (on its own behalf or through independent professional advice), and it has a full understanding of all the terms, conditions, and risks (economic and otherwise) of the Agreement, each Transaction, and such other documentation and is capable of assuming and willing to assume (financially and otherwise) those risks;
- (v) the Counterparty is entering into this Agreement, each Transaction, and such other documentation for the purposes of managing its borrowings or investments, hedging its underlying assets or liabilities or in connection with a line of business and not for purposes of speculation;

(vi) the Counterparty is entering into this Agreement, each Transaction, and such other documentation as principal, and not as agent or in any other capacity, fiduciary or otherwise; and

(vii) the Bank (a) is not acting as a fiduciary or financial, investment or commodity trading advisor for it; (b) has not given to the Counterparty (directly or indirectly through any other person) any assurance, guaranty or representation whatsoever as to the merits (either legal, regulatory, tax, financial, accounting or otherwise) of this Agreement, each Transaction, and such other documentation; and (c) has not committed to unwind the Transactions.

(6) Waiver of Jury Trial. Each party hereby irrevocably waives any and all -----
right to trial by jury in any proceedings arising out of or relating to this Agreement or any transaction contemplated hereby.

(7) Confidentiality. The existence of this Agreement, its contents and the -----
existence of and contents and all other instruments and documents relating to this Agreement, and any information made available by one party to the other party with respect to this Agreement or any Transaction hereunder is confidential and shall not be discussed with or disclosed to any third party (nor shall any public announcement or press release relating to this Agreement or any Transaction hereunder be made by either party, except with the prior written consent of the other party hereto), except for such information (i) as may become generally available to the public, (ii) as may be required or appropriate in response to any summons, or otherwise in connection with any litigation or to comply with any applicable law, order, regulation, ruling, or accounting disclosure rule or standard (iii) as may be obtained from a non-confidential source that disclosed such information in a manner that did not violate its obligations to the other party in making such disclosure, or (iv) as may be furnished to that party's auditors, attorneys, advisors, or financial institutions with which the party has a written agreement or which are otherwise required to keep the information that is disclosed in confidence.

Please confirm your agreement to the terms of the foregoing Schedule by signing below.

BANKBOSTON, N.A.

By: /s/ Liam G. Stokes

Name: LIAM G. STOKES
Title: Director

CMG INFORMATION SERVICES, INC.

By:

Name:
Title:

Please confirm your agreement to the terms of the foregoing Schedule by signing below.

BANKBOSTON, N.A.

By:

Name:
Title:

CMG INFORMATION SERVICES, INC.

By: /s/ Andrew J. Hajducky

Name: Andy Hajducky
Title: Chief Financial Officer

January 13, 1998

CMG Information Services, Inc.
100 Brickstone Square
Second Floor
Andover, MA 01810
Attention: Andrew J. Hajducky III

Re: Transaction

The purpose of this letter is to confirm the terms and conditions of the Transaction entered into between us as of January 13, 1998 (the "Transaction").

This letter constitutes a "Confirmation" as referred to in the Master Agreement (Local Currency) entered into between us and dated as of January 13, 1998 (the "Swap Agreement") and incorporates by reference the 1991 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) (the "1991 Definitions").

This Confirmation supplements, forms a part of, and is subject to, the Swap Agreement. All provisions set forth in the 1991 Definitions or contained or incorporated by reference in the Swap Agreement shall govern this Confirmation except as expressly modified below. It is our intention to have this Confirmation serve as the final documentation for this trade and accordingly, no letter Confirmation will follow.

This Confirmation will be governed by and construed in accordance with the laws of the State of New York, without reference to choice of law doctrine.

The terms of the Transaction to which this Confirmation relates are as follows:

1. Parties

The parties are:

- (1) BankBoston, N.A. ("Bank")

Office through which this Transaction is booked and address for notices:

BankBoston, N.A.
100 Federal Street
Boston, MA 02110
Attention:
Telex:
Answerback:
Telecopy No.:

Account for
Payments: [To Be Advised]

(2) CMG Information Systems Inc.
(the "Counterparty")

Office through which this Transaction is booked and address for
notices:

CMG Information Systems, Inc.
100 Brickstone Square
Second Floor
Andover, MA 01810

Attention:
Telex No.:
Answerback:
Facsimile No.:
Telephone No.:

Account for Payments: [To be advised]

2. Payments

(a) On each Payment Date, the Counterparty shall pay to Bank a Floating
Amount in USD (the "Counterparty Note Floating Amount") computed in accordance
with Section 6.1 of the 1991 Definitions as follows:

- (i) "Calculation Amount" means USD \$20,000,000;
- (ii) "Floating Rate Option" means USD-LIBOR-BBA;
- (iii) "Designated Maturity" means 3 month;
- (iv) "Spread" means plus 1.75% per annum;

(v) "Reset Date" means the first day of each Calculation Period;
and

(vi) "Floating Rate Day Count Fraction" means Actual/360.

(b) On the Termination Date, the Bank and Counterparty shall pay the amounts set forth in this paragraph (b). Upon a repurchase of the Underlying Shares in accordance with the terms of the Repurchase Agreement, (i) the Bank shall pay or cause to be paid to the Counterparty an amount equal to the positive difference, if any, between the Liquidation Amount and the Final Payment Amount and (ii) the Counterparty shall pay to the Bank an amount equal to the positive difference, if any, between the Final Payment Amount and the Liquidation Amount. If the Underlying Shares have not been purchased in accordance with the terms of the Repurchase Agreement, (i) the Bank shall pay or cause to be paid to the Counterparty an amount in USD equal to the Liquidation Amount minus any liquidation expenses incurred by the Bank in connection with such liquidation and (ii) the Counterparty shall pay to the Bank an amount in USD equal to the Final Payment Amount.

(c) When paid by the Issuer and received by the holders of the Underlying Shares, Bank shall pay to the Counterparty within two Business Days of actual receipt by the Bank an aggregate amount equal to any payments in respect of dividends with respect to the Underlying Shares.

(d) Upon the occurrence of (i) a Termination Event relating to the Counterparty and the exercise by the Bank of its right to terminate this Agreement due to such termination Event or (ii) the exercise by the Counterparty of its rights to terminate the Swap Agreement prior to the Termination Date, the Counterparty shall pay to the Bank a fee, in addition to the other amounts payable hereunder, equal to the product of (I) 175 basis points; (II) the Calculation Amount and (III) 1/360 payable for each calendar day elapsed from (and including) the Early Termination Date to (but excluding) the Termination Date. Additionally, if the Counterparty exercises its right to terminate the Swap Agreement prior to the Termination Date on any day that is not two London Banking Days prior to each Reset Date, the Counterparty shall pay to the Bank an additional fee, in addition to the other amounts payable hereunder, equal to the product of (i) the positive difference, if any, between (A) the Floating Rate Option for the Designated Maturity in effect during the Calculation Period in which the early termination date occurs and (B) the rate for deposits of

U.S. Dollars for a period of three months which appears on Telerate Page 3750 as of 11:00 a.m. London time on the Early Termination Date (or if such rate does not appear on Telerate Page 3750 on such date, the USD-LIBOR-Reference Banks rate on such date); (ii) the Calculation Amount; and (iii) 1/360 payable for each calendar day elapsed from (and including) the Early Termination Date to (but excluding) the next succeeding Payment Date.

3. Definitions

In this confirmation:

"Calculation Agent" means Bank. All determinations and calculations by the Calculation Agent shall (a) be made in good faith and in the exercise of its commercially reasonable judgment and (b) be determined, where applicable, on the basis of then prevailing market rates or prices. All such determinations and calculations shall be binding on the Counterparty in the absence of manifest error.

"Effective Date" means January 20, 1998.

"Final Payment Amount" means an amount equal to USD 20,000,000.

"Issuer" means Lycos, Inc., a Delaware corporation.

"Liquidation Amount" means an amount calculated three (3) Business Days prior to the Termination Date equal to the fair market value on such date of the Underlying Shares as calculated by the Calculation Agent.

"Payment Dates" means each April 20, July 20, October 20 and January 20 commencing on January 20, 1998 and ending on the Termination Date (with the final Payment Date to be the Termination Date), subject to adjustment in accordance with the Modified Following Business Day Convention.

"Repurchase Agreement" means the repurchase agreement, dated as of January 13, 1998, among CMG Information Services, Inc., the Counterparty, and Long Lane Master Trust relating to the repurchase of the Underlying Shares.

"Termination Date" means January 20, 1999.

"Underlying Shares" means the shares of common stock, par value of USD \$.01, of the Issuer, with an aggregate market value of \$20,000,000.

4. Other Provisions

(a) Business Day. As used herein, "Business Day" means a day on which

banks are open for business in Boston, Massachusetts and New York, New York other than a Saturday or a Sunday.

(b) Adjustment to Shares. In the event of a change affecting the

Underlying Shares, including without limitation, a capitalization issue, rights issue, share split, merger, consolidation, amalgamation, sub-division, capital reduction, recapitalization, reclassification, dissolution, liquidation, winding up or other similar event, which occurs after the Trade Date but before the Termination Date, the Calculation Agent shall (after consultation with the Counterparty), if necessary, (i) adjust the number of Underlying Shares and/or the Calculation Amount with respect to payments made pursuant to paragraph 2 of this Confirmation and (ii) determine the effective date of such adjustments, if any, to achieve as nearly as practicable the economic position the Counterparty would have been in had it been the holder of the Underlying Shares upon the occurrence of such event.

Please confirm your agreement to be bound by the terms of the foregoing by executing the copy of this Confirmation enclosed for that purpose and returning it to us.

Very truly yours,

BANKBOSTON, N.A.

By: /s/ Liam G. Stokes 1/12/98

Name: LIAM G. STOKES
Title: Director

Accepted and confirmed as of
the date first above written

CMG INFORMATION SERVICES, INC.

By:

Name:
Title:

Please confirm your agreement to be bound by the terms of the foregoing by executing the copy of this Confirmation enclosed for that purpose and returning it to us.

Very truly yours,

BANKBOSTON, N.A.

By: -----

Name:

Title:

Accepted and confirmed as of the date first above written

CMG INFORMATION SERVICES, INC.

By: /s/ Andrew J. Hajducky -----

Name: Andrew J. Hajducky

Title: Chief Financial Officer

(Bilateral Form)

(ISDA Agreements Subject to New York Law Only)

ISDA(R)

International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the

ISDA Master Agreement (Local Currency)

dated as of January 13, 1998

between

..BankBoston, N.A..... and CMG Information Services, Inc.....
("Party A") ("Party B")

This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows: --

Paragraph 1. Interpretation

(a) Definitions and Inconsistency. Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) Secured Party and Pledgor. All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity; provided, however, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

Paragraph 2. Security Interest

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien

granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.

Paragraph 3. Credit Support Obligations

(a) Delivery Amount. Subject to Paragraphs 4 and 5, upon a demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "Delivery Amount" applicable to the Pledgor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.

(b) Return Amount. Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds the Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "Return Amount" applicable to the Secured Party for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party

exceeds

(ii) the Credit Support Amount.

"Credit Support Amount" means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold; provided, however, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions

(a) Conditions Precedent. Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) Transfer Timing. Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) Calculations. All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

(d) Substitutions.

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the "Substitute Credit Support"); and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the "Substitution Date"); provided that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

Paragraph 5. Dispute Resolution

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute;

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; provided that if four quotations are not available for a particular Transaction

(or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction); and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction); and

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.

Paragraph 6. Holding and Using Posted Collateral

(a) Care of Posted Collateral. Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) Eligibility to Hold Posted Collateral; Custodians.

(i) General. Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a "Custodian") to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.

(ii) Failure to Satisfy Conditions. If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.

(iii) Liability. The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) Use of Posted Collateral. Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early

Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:

- (i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and
- (ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) Distributions and Interest Amount.

(i) Distributions. Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).

(ii) Interest Amount. Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

Paragraph 7. Events of Default

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

- (i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;
- (ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or

(iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

Paragraph 8. Certain Rights and Remedies.

(a) Secured Party's Rights and Remedies. If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

(i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;

(iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.

(b) Pledgor's Rights and Remedies. If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement):

(i) the Pledgor may exercise all rights and remedies available to a pledgor under applicable laws with respect to Posted Collateral held by the Secured Party;

(ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;

(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

(c) Deficiencies and Excess Proceeds. The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

(d) Final Returns. When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.

Paragraph 9. Representations

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;

(ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and

(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2.

Paragraph 10. Expenses

(a) General. Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.

(b) Posted Credit Support. The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party's rights under Paragraph 6(c).

(c) Liquidation/Application of Posted Credit Support. All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

Paragraph 11. Miscellaneous

(a) Default Interest. A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obligated to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(b) Further Assurances. Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.

(c) Further Protection. The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c).

(d) Good Faith and Commercially Reasonable Manner. Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

(e) Demands and Notices. All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.

(f) Specifications of Certain Matters. Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

Paragraph 12. Definitions

As used in this Annex: --

"Cash" means the lawful currency of the United States of America.

"Credit Support Amount" has the meaning specified in Paragraph 3.

"Custodian" has the meaning specified in Paragraphs 6(b)(i) and 13.

"Delivery Amount" has the meaning specified in Paragraph 3(a).

"Disputing Party" has the meaning specified in Paragraph 5.

"Distributions" means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

"Eligible Collateral" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"Eligible Credit Support" means Eligible Collateral and Other Eligible Support.

"Exposure" means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; provided that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of "Market Quotation").

"Independent Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Interest Amount" means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

- (x) the amount of that Cash on that day; multiplied by
- (y) the Interest Rate in effect for that day; divided by
- (z) 360.

"Interest Period" means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

"Interest Rate" means the rate specified in Paragraph 13.

"Local Business Day", unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.

"Minimum Transfer Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Notification Time" has the meaning specified in Paragraph 13.

"Obligations" means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

"Other Eligible Support" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"Other Posted Support" means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

"Pledgor" means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

"Posted Collateral" means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6 (d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

"Posted Credit Support" means Posted Collateral and Other Posted Support.

"Recalculation Date" means the Valuation Date that gives rise to the dispute under Paragraph 5; provided, however, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the "Recalculation Date" means the most recent Valuation Date under Paragraph 3.

"Resolution Time" has the meaning specified in Paragraph 13.

"Return Amount" has the meaning specified in Paragraph 3(b).

"Secured Party" means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.

"Specified Condition" means, with respect to a party, any event specified as such for that party in Paragraph 13.

"Substitute Credit Support" has the meaning specified in Paragraph 4(d)(i).

"Substitution Date" has the meaning specified in Paragraph 4(d)(ii).

"Threshold" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Transfer" means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

(iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

"Valuation Agent" has the meaning specified in Paragraph 13.

"Valuation Date" means each date specified in or otherwise determined pursuant to Paragraph 13.

"Valuation Percentage" means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

"Valuation Time" has the meaning specified in Paragraph 13.

"Value" means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to:

(i) Eligible Collateral or Posted Collateral that is:

(A) Cash, the amount thereof; and

(B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;

(ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and

(iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.

Paragraph 13. Elections and Variables

(a) Security Interest for "Obligations". The term "Obligations" as used in this Annex includes the following additional obligations:

With respect to Party A:..NONE.....

With respect to Party B:..NONE.....

(b) Credit Support Obligations.

(i) Delivery Amount, Return Amount and Credit Support Amount

(A) "Delivery Amount" has the meaning specified in Paragraph 3(a), unless otherwise specified here:.....

(B) "Return Amount" has the meaning specified in Paragraph 3(b), unless otherwise specified here:.....

(C) "Credit Support Amount" has the meaning specified in Paragraph 3, unless otherwise specified here:.....

(ii) Eligible Collateral. The following items will qualify as "Eligible Collateral" for the party specified:

	Party A	Party B	Valuation Percentage
(A) Cash	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/> % 100%
(B) negotiable debt obligations issued by the U.S. Treasury Department having an original maturity at issuance of not more than one year ("Treasury Bills")	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/> % 100%
(C) negotiable debt obligations issued by the U.S. Treasury Department having an original maturity at issuance of more than one year but not more than 10 years ("Treasury Notes")	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/> % 99%
(D) negotiable debt obligations issued by the U.S. Treasury Department having an original maturity at issuance of more than 10 years ("Treasury Bonds")	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/> % 98%
(E) other: (i) with the consent of Party A, Lycos, Inc. (LCOS) shares and any other publicly-traded shares, up to a limit of 15% of the outstanding shares on the Trade Date	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/> % 100%
(ii) U.S. dollar denominated certificates of deposit with a maturity date of one year or less issued by a U.S. financial institution whose deposits are insured by the FDIC and which has a long-term unsecured debt rating of at least A by both Standard & Poor's Corporation and Moody's Investors Service Inc.		<input checked="" type="checkbox"/>	<input type="checkbox"/> % 97%

(iii) Other Eligible Support. The following items will qualify as "Other Eligible Support" for the party specified:

	Party A	Party B
(A)	<input type="checkbox"/>	<input type="checkbox"/>
(B)	<input type="checkbox"/>	<input type="checkbox"/>

(iv) Thresholds.

- (A) "Independent Amount" means with respect to Party A: \$.NONE.....
"Independent Amount" means with respect to Party B: \$.23,000,000....
- (B) "Threshold" means with respect to Party A: \$.0.....
"Threshold" means with respect to Party B: \$.0.....
- (C) "Minimum Transfer Amount" means with respect to Party A: \$.100,000..
"Minimum Transfer Amount" means with respect to Party B: \$.20,000..
- (D) Rounding. The Delivery Amount and the Return Amount will be rounded
[down to the nearest integral multiple of \$.../up and down to the
nearest integral multiple of \$..., respectively./*/]

(c) Valuation and Timing.

(i) "Valuation Agent" means, for purposes of Paragraph 3 and 5, the party making the demand under Paragraph 3, and, for purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable, unless specified here:
.....

(ii) "Valuation Date" means: Every other day that is a Business Day in New York.....

(iii) "Valuation Time" means:

the close of business in the city of the Valuation Agent on the Valuation Date or date of calculation, as applicable;

the close of business on the Local Business Day before the Valuation Date or date of calculation, as applicable;

provided that the calculations of Value and Exposure will be made as of approximately the same time on the same date.

(iv) "Notification Time" means 1:00 p.m., New York time, on a Local Business Day, unless otherwise specified here:.....

* Delete as applicable

(d) Conditions Precedent and Secured Party's Rights and Remedies. The following Termination Event(s) will be a "Specified Condition" for the party specified (that party being the Affected Party if the Termination Event occurs with respect to that party):

	Party A	Party B
Illegality	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Tax Event	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Tax Event Upon Merger	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Credit Event Upon Merger	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Addition Termination Event(s):/1/	<input type="checkbox"/>	<input type="checkbox"/>
.....	<input type="checkbox"/>	<input type="checkbox"/>

(e) Substitution.

(i) "Substitution Date" has the meaning specified in Paragraph 4(d)(ii), unless otherwise specified here:.....

(ii) Consent. The Pledgor must obtain the Secured Party's consent which consent shall not be unreasonably withheld to any substitution pursuant to Paragraph 4(d) except that the Pledgor may substitute cash for any publicly traded shares without the Secured Party's consent./2/

(f) Dispute Resolution.

(i) "Resolution Time" means 1:00 p.m., New York time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 5, unless otherwise specified here:.....

(ii) Value. For the purpose of Paragraph 5(i)(C) and 5(ii), the Value of Posted Credit Support will be calculated as follows:.....

(iii) Alternative. The provisions of Paragraph 5 will apply, unless an alternative dispute resolution procedure is specified here:.....

(g) Holding and Using Posted Collateral.

(i) Eligibility to Hold Posted Collateral; Custodians. Party A and its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b); provided that the following conditions applicable to it are satisfied:

- (1) Party A is not a Defaulting Party.
- (2) Posted Collateral may be held only in the following jurisdictions:.....
- (3)

- -----
/1/ If the parties elect to designate an Additional Termination Event as a "Specified Condition", then they should only designate one or more Additional Termination Events that are designated as such in their Schedule.

/2/ Parties should consider selecting "applicable" where substitution without consent could give rise to a registration requirement to perfect properly the security interest in Posted Collateral (e.g., where a party to the Annex is the New York branch of an English bank).

Initially, the Custodian for Party A is ..Brown Brothers
Harriman & Co.....

Party B and its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b); provided that the following conditions applicable to it are satisfied:

- (1) Party B is not a Defaulting Party.
- (2) Posted Collateral may be held only the following jurisdictions:.....
- (3)

Initially, the Custodian for Party B is

(ii) Use of Posted Collateral. The provisions of Paragraph 6(c) will not apply to the [party/parties/*/] specified here:

- Party A
- Party B

and [that party/those parties/*/] will not be permitted to:.....

(h) Distributions and Interest Amount

- (i) Interest Rate. The "Interest Rate" will be:...0.0%.....
- (ii) Transfer of Interest Amount. The Transfer of the Interest Amount will be made on the last Local Business Day of each calendar month and on any Local Business Day that Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b), unless otherwise specified here:.....
- (iii) Alternative to Interest Amount. The provisions of Paragraph 6(d)(ii) will apply, unless otherwise specified here:.....

(i) Additional Representation(s).

[Party A/Party B*] represents to the other party (which representation(s) will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

- (i)
- (ii)

(j) Other Eligible Support and Other Posted Support.

- (i) "Value" with respect to Other Eligible Support and Other Posted Support means:
- (ii) "Transfer" with respect to Other Eligible Support and Other Support means:

* Delete as applicable.

(k) Demands and Notices.

All demands, specifications and notices under this Annex will be made pursuant to the Notices Section of this Agreement, unless otherwise specified here:

Party A: ..BankBoston, N.A., 100 Federal Street, Boston, MA 02110.....
.....

Party B: ..CMG Information Systems, Inc., 100 Brickstone Square,.....
.....Second Floor, Andover, MA 01810.....

(l) Addresses for Transfers.

Party A: ..To be advised.....
.....

Party B: ..To be advised.....
.....

(m) Other Provisions. (i) Posted Collateral shall include the collateral transferred by Party B to Long Lane Master Trust on or prior to the Effective Date. Notwithstanding anything herein to the contrary, Party B shall be required to post additional Eligible Collateral at the times and manner specified herein for any Valuation Date on which the aggregate market value of the Posted Collateral is equal to or less than \$30,000,000.

(ii) Notwithstanding Section 4(b) hereof, Transfer of Eligible Credit Support or Posted Credit Support shall be made not later than the close of business on the third Local Business Day following a demand therefor.

AGREEMENT FOR THE ASSIGNMENT
OF VOTING RIGHTS

This Agreement, dated as of January 13, 1998, by and between CMG Information Services, Inc., a Delaware corporation ("CMGI") and Long Lane Master Trust, a Delaware business trust, (the "Trust").

WHEREAS, CMGI has entered into a ISDA Swap Agreement, and schedule and confirmation thereto, each dated as of January 13, 1998, (collectively, the "Swap Agreement") with BankBoston, N.A. (the "Bank") whereby the Bank has agreed to provide financing to CMG Information in accordance with the terms of the Swap Agreement;

WHEREAS, in connection with such financing, the Bank will cause the Trust to issue securities, the proceeds of which will be utilized to provide such funds to CMGI;

WHEREAS, simultaneously with the execution of this Agreement and the Swap Agreement, CMGI will transfer to the Trust shares of common stock issued by Lycos, Inc., (the "Shares") with an aggregate market value equal to at least \$20,000,000 to secure the obligations of CMGI to the Bank;

WHEREAS, the parties hereto have also entered into a repurchase agreement, dated as of January 13, 1998, relating to the repurchase of the Shares by CMGI;

WHEREAS, the Trust wishes to assign the voting rights relating to the Shares to CMGI in accordance with the terms of this Agreement.

NOW, THEREFORE BE IT RESOLVED, the parties hereto agree as follows:

1. Assignment of Voting Rights

While this Agreement is in effect, the Trust hereby agrees to assign to CMGI the voting rights on the Shares in accordance with the terms hereof. Any liquidation of the Shares by the Trust shall result in automatic extinguishment of the right of CMGI to exercise the voting right of Shares.

2. Exercise of Voting Rights

Whenever a general shareholders meeting of Lycos, Inc. is convened or any proxies or other documentation requiring the actions of holders of the Shares is delivered to such holders, CMGI shall send a written notice to the Trust. Such notice will include:

- . a copy of the notice of the respective general shareholders meeting of Lycos, Inc.
- . instructions on the manner in which to vote the Shares.
- . the name of the person or persons, if any, who will represent the Trust in the respective general shareholders meeting of Lycos, Inc.

Said notice shall be remitted by CMGI to the Trust no later than the fifth day before the date proposed for the general meeting in question to be held, or as soon as possible with respect to any other consents or actions to be taken by the holders of the Shares. The Trust shall in no way be liable for any failure by CMGI to provide appropriate instructions with respect to the Shares. If the Trust has not received written instructions from CMGI on the manner in which to vote the Shares, the Trust shall abstain from voting the Shares.

To comply with the instructions on the vote or abstention, as appropriate, given by CMGI in connection with the Shares, CMGI may designate a representative or representatives for each general shareholders meeting of Lycos, Inc. to act on behalf of the Trust at such meeting. The Trust hereby agrees to consent to the appointment of any such representative and agrees to execute any documents reasonably necessary to effectuate the foregoing.

3. Term

This Agreement shall automatically terminate, without notice, on the earlier of (i) January 20, 1999 or (ii) the day on which the Trust disposes of the Shares as a result of (A) an event of default under the Trust Indenture, dated as of January 13, 1998 between the Trust and First Trust of New York, as indenture trustee or (B) the termination of the Swap Agreement in accordance with the terms thereof.

4. Changes Affecting the Shares

In the event that Lycos, Inc. is the subject of merger, spin-off, recapitalization or other similar transaction, any Shares received by the Trust as the result of such transactions and of the redemption of the Shares included shall be covered by this Agreement.

Furthermore, the voting rights assigned hereunder shall remain in full force and effect in the event that the Shares are the subject of exchange, remuneration or the increase or reduction of their par value.

5. Notices

All notices between the parties shall be made by telefacsimile or by mail, return receipt requested, to the following numbers and addresses:

The Trust

To: Long Lane Master Trust
c/o Delaware Trust Capital Management, Inc.
900 Market Street, 2nd Floor
Wilmington, DE 19801
Attn: Richard Smith
Tel: (302) 421-7339
Fax: (302) 421-7387

CMGI

To: CMG Information Services, Inc.
100 Brickstone Square
Second Floor
Andover, MA 01810
Attn: Andrew J. Hajducky III
Tel: (508) 684-3600
Fax: (508) 684-3658

6. Applicable Law

The Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws provisions thereof.

7. Counterparts

This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which shall together constitute one Agreement.

8. Owner Trustee

The Owner Trustee (as such term is defined in the Trust Agreement referred to herein) is executing this document solely in its capacity as trustee under the Amended and Restated Trust Agreement, dated as of January 14, 1997, as supplemented by a trust supplement dated as of January 13, 1998, and, as such, the Owner Trustee shall incur no personal liability in connection therewith.

IN WITNESS WHEREOF, the parties hereto have caused to be executed by their respective officers, thereunto duly authorized, as of the day and year first above written.

LONG LANE MASTER TRUST

By: DELAWARE TRUST CAPITAL
MANAGEMENT, INC.
not in its individual
capacity but solely as
Owner Trustee

By: /s/ Richard N. Smith

Name: RICHARD N. SMITH
Title: VICE PRESIDENT

CMG INFORMATION SERVICES, INC.

By:

Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused to be executed by their respective officers, thereunto duly authorized, as of the day and year first above written.

LONG LANE MASTER TRUST

By: DELAWARE TRUST CAPITAL
MANAGEMENT, INC.
not in its individual
capacity but solely as
Owner Trustee

By: -----
Name:
Title:

CMG INFORMATION SERVICES, INC.

By: /s/ Andrew J. Hajducky

Name: Andy Hajducky
Title: Chief Financial Officer

REPURCHASE AGREEMENT

This Repurchase Agreement, dated as of January 13, 1998, is made by and between CMGI Information Services, Inc., a Delaware corporation ("CMGI") and Long Lane Master Trust, a Delaware business trust (the "Trust").

WHEREAS, CMGI has entered into an ISDA Swap Agreement, and schedule and confirmation thereto, each dated as of January 13, 1998, (collectively, the "Swap Agreement") with BankBoston, N.A. (the "Bank") whereby the Bank has agreed to provide funds to CMGI in accordance with the terms of the Swap Agreement;

WHEREAS, in connection with such financing, the Bank will cause the Trust to issue securities (the "Securities"), the proceeds of which will be utilized to provide such funds to CMGI;

WHEREAS, in conjunction with the issuance of such securities by the Trust, CMGI will transfer to the Trust its right, title and interest to shares of common stock of Lycos, Inc. with an aggregate market value of at least \$20,000,000 (the "Shares") to secure the obligations of CMGI to the Bank;

NOW, THEREFORE, BE IT RESOLVED, the parties hereto agree as follows:

1. Holding of Shares. CMGI has transferred to the Trust and the

Trust hereby accepts delivery of the Shares and shall pledge such Shares to First Trust of New York, N.A., as indenture trustee for the Securities in accordance with the terms of the Amended and Restated Trust Agreement, dated as of January 14, 1997, as supplemented by a trust supplement dated as of January 13, 1998, each between the Bank, as grantor and the Trust. The Trust further agrees that it will not sell, pledge or hypothecate and/or otherwise transfer of the Shares except in accordance with this Agreement; provided, however, that the parties hereto acknowledge that the Trust will pledge the Shares to First Trust of New York, N.A., as indenture trustee for the Securities.

2. Repurchase of Shares. The parties hereto agree that upon the

earlier to occur of (i) the termination of the Swap Agreement in accordance with its terms; (ii) the liquidation of the Shares in accordance with the terms of

the Trust Indenture, dated as of January 14, 1997, as supplemented by an indenture supplement, dated as of January 13, 1998, each between the Trust and First Trust of New York, as indenture trustee due to the occurrence of an event of default thereunder or (iii) January 20, 1999, CMGI shall repurchase the Shares from the Trust in the manner set forth herein. The Trust shall send immediate written notification to CMGI upon the occurrence of an event described in clauses (i) or (ii) above. No notification shall be required with respect to the repurchase of Shares on January 20, 1999. Within one business day of receipt of such notification, CMGI shall send written notification to the Trust of its intent to repurchase the Shares, together with a request for wiring instructions for the purchase price of the Shares.

3. Purchase Price. The purchase price for the Shares shall be the -----
fair market value of the Shares, as determined by the Bank, three business days prior to the date of delivery of such Shares to CMGI. CMGI shall deposit the purchase price, in immediately available funds, at the account designated by the Trust on or prior to the date of delivery of such Shares to CMGI.

4. Release of Lien. Upon receipt of notification that the purchase price has been received from CMGI, the Trust will cause the lien created on the Shares pursuant to the Trust Indenture to be released and shall cause the Shares to be delivered to CMGI or its designee.

5. Obligation Unconditional. The obligation of CMGI to repurchase -----
the Shares hereunder is absolute and unconditional without any right of offset or counterclaim.

6. Default by CMG. CMGI hereby agrees that if CMGI fails to -----
repurchase the Shares at the times and manner set forth herein, the Trust shall be free to sell the Shares without restriction to any other party without further notice to CMGI.

7. Voting of Shares. The parties hereto agree that the Shares shall -----
be voted in accordance with the Assignment of Voting Rights Agreement, dated as of January 13, 1998, between the Trust and CMGI.

8. Governing Law. The Agreement shall be governed by and construed -----
in accordance with the laws of the State of New York without regard to the conflict of law provisions thereof.

9. Counterparts. This Agreement may be executed in counterparts,

each of which shall constitute an original, but all of which shall together
constitute one Agreement.

10. Owner Trustee. The Owner Trustee is executing this document

solely in its capacity as trustee under the Trust Agreement and, as such, the
Owner Trustee shall incur no personal liability in connection therewith.

IN WITNESS WHEREOF, the parties hereto have caused to be executed by their respective officers, thereunto duly authorized, as of the day and year first above written.

LONG LANE MASTER TRUST

By: DELAWARE TRUST CAPITAL
MANAGEMENT, INC.
not in its individual
capacity but solely as
Owner Trustee

By: /s/ Richard N. Smith

Name: RICHARD N. SMITH
Title: VICE PRESIDENT

CMG INFORMATION SERVICES, INC.

By:

Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused to be executed by their respective officers, thereunto duly authorized, as of the day and year first above written.

LONG LANE MASTER TRUST

By: DELAWARE TRUST CAPITAL
MANAGEMENT, INC.
not in its individual
capacity but solely as
Owner Trustee

By: _____
Name:
Title:

CMG INFORMATION SERVICES, INC.

By: /s/ Andrew J. Hajducky

Name: Andy Hajducky
Title: Chief Financial Officer

THIS RESTATED SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE JANUARY 31, 1997 CONSOLIDATED FINANCIAL STATEMENTS OF CMG INFORMATION SERVICES, INC., AS SET FORTH IN ITS FORM 10-Q'S FOR THE QUARTERS ENDED JANUARY 31, 1997 AND 1998.

1,000

6-MOS	
	JUL-31-1997
	AUG-01-1996
	JAN-31-1997
	73,614
	6,582
	16,925
	0
	0
	107,305
	9,322
	0
	146,308
	42,702
	0
	0
	96
	53,930
146,308	29,537
	29,537
	16,652
	16,652
	40,143
	0
	465
	(5,989)
	742
(6,731)	0
	0
	0
	(6,731)
	(0.74)
	(0.74)

RESTATEMENT REFLECTED HEREIN IS THE RESULT OF RECLASSIFICATION TO PRIOR PERIOD'S FINANCIAL STATEMENTS TO CONFORM TO THE CURRENT PERIOD PRESENTATION.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE JANUARY 31, 1998 CONSOLIDATED FINANCIAL STATEMENTS, IN THE FORM 10-Q OF CMG INFORMATION SERVICES, INC. FOR THE QUARTER ENDED JANUARY 31, 1998.

1,000

6-MOS	
JUL-31-1998	
AUG-01-1997	
JAN-31-1998	30,113
	1,200
	15,853
	0
	0
	57,138
	0
	8,801
	0
	114,501
50,608	0
	0
	0
	103
	38,176
114,501	42,953
	42,953
	30,951
	30,951
	37,705
	0
	1,486
	(981)
	2,168
(3,149)	0
	0
	0
	0
	(3,149)
	(0.32)
	(0.33)