SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

For Fiscal Year Ended July 31, 1998

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

FOR THE TRANSITION PERIOD FROM_____ TO _____

COMMISSION FILE 0-22846

CMG INFORMATION SERVICES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	04-2921333
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S.EMPLOYER IDENTIFICATION NO.)
100 BRICKSTONE SQUARE ANDOVER, MASSACHUSETTS	01810
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (978) 684-3600

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

(TITLE OF CLASS)	(NAME OF EACH EXCHANGE ON WHICH REGISTERED)
Common Stock, $0.01 par value	NASDAQ

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

Yes X No
-

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

The aggregate market value of voting Common Stock held by non-affiliates of the Registrant was $774,291,912 as of October 20, 1998. The Registrant does not have any outstanding non-voting equity.

On October 20, 1998, the Registrant had outstanding 23,057,446 shares of voting Common Stock, $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 1998 Annual Report to Shareholders are incorporated by reference into Parts I, II and IV of this Report. Portions of the definitive proxy statement (the "Definitive Proxy Statement") to be filed with the Securities and Exchange Commission relative to the Company's 1998 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

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CMG INFORMATION SERVICES, INC.

PART I

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

PART I

ITEM 1. - BUSINESS

GENERAL

CMG Information Services, Inc. (CMG or the Company), a Delaware corporation, develops and operates Internet and direct marketing companies as well as venture funds focused on the Internet.

CMG's Internet strategy includes the internal development and operation of majority owned subsidiaries within the "CMG Internet Group" as well as the investment in other Internet companies, either directly by CMG, or through venture capital fund arrangements. The Company's strategy also envisions and promotes opportunities for synergistic business relationships among the Internet companies within its portfolio. At July 31, 1998, the CMG Internet Group included majority-owned subsidiaries ADSmart Corporation (ADSmart), Engage Technologies, Inc. (Engage), Accipiter, Inc. (Accipiter), InfoMation Publishing Corporation (InfoMation), NaviSite Internet Services Corporation (NaviSite), Planet Direct Corporation (Planet Direct) and Password Internet Publishing Corporation (The Password). At July 31, 1998, CMG also directly held minority investments in Magnitude Network, LLC (Magnitude Network) and Open Market, Inc. ADSmart develops and markets online ad sales and ad serving solutions; Engage develops and markets precision online marketing solutions; Accipiter specializes in Internet advertising management solutions; InfoMation develops and markets a Web-based solution for corporate knowledge management; The Password provides tools for the creation of a personalized "mini-Web;" and Planet Direct is a personalized Web service with over 400 Internet Service Provider (ISP) partners which tailors members' online experience to their interests and local community. Subsequent to July 31, 1998, the Company announced that InfoMation would become a division of Planet Direct and that NaviSite would be split into two separate companies NaviSite will continue to provide high-end server management and applications solutions, providing high-availability Internet outsourcing, and NaviNet will provide low cost, high-availability dial-up network connection through competitive local exchange carriers (CLECs).

The Company's first Internet venture fund, its limited liability company subsidiary, CMG@Ventures I, LLC (CMG@Ventures I, formerly CMG@Ventures L.P.), was formed in February, 1996. CMG completed its $35 million commitment to this fund during fiscal year 1997. The Company owns 100% of the capital and is entitled to 77.5% of the net capital gains of CMG@Ventures I. At July 31, 1998, CMG@Ventures I held equity investments in five companies, including Blaxxun Interactive, Inc. (Blaxxun, 81% legal ownership), GeoCities (32%), Lycos, Inc. (Lycos, 25%), Parable LLC (Parable, 31%), and Vicinity Corporation (Vicinity, 50%). Lycos and GeoCities shares are publicly traded on the NASDAQ system under the symbols LCOS and GCTY, respectively. The Company's second Internet venture fund, its limited liability company subsidiary, CMG@Ventures II, LLC (CMG@Ventures II), was formed during fiscal year 1997. The Company owns 100% of the capital and is entitled to 80% of the net capital gains of CMG@Ventures II. At July 31, 1998, CMG@Ventures II held equity investments in fourteen companies, including Chemdex Corporation (Chemdex 16%), Critical Path (7%), GeoCities (2%), KOZ, Inc. (KOZ, 14%), Mother Nature's General Store, Inc. (Mother Nature, 24%), Parable (11%), Reel.com, Inc. (Reel.com, 36%), Sage Enterprises, Inc. (Sage Enterprises, 29%), Silknet Software, Inc. (Silknet, 24%), Softway Systems, Inc. (Softway Systems, 9%), Speech Machines plc (Speech Machines, 29%), TicketsLive Corporation (TicketsLive, 14%), Universal Learning Technology (12%), and Visto Corporation (Visto, 6%). CMG@Ventures II's holdings in Sage Enterprises and Reel.com were converted into shares of Amazon.com, Inc. and Hollywood Entertainment Corporation, respectively, pursuant to mergers of the respective companies subsequent to July 31, 1998.

CMG recently formed its third venture capital fund, CMG@Ventures III, LLC (CMG@Ventures III), and has begun raising capital from outside investors for a corresponding outside investment fund, @Ventures III, L.P. The Company owns 100% of the capital and is entitled to 80% of the net capital gains of CMG@Ventures III, and will be entitled to 2% of the net capital gains of @Ventures III, L.P. These two funds will co-invest in all investment candidates based on a predetermined ratio. CMG has committed to funding CMG@Ventures III up to the greater of $30 million or 19.9% of amounts committed to @Ventures III, L.P.

The Company provides fulfillment services through three wholly-owned subsidiaries, SalesLink Corporation (SalesLink, acquired in 1989), InSolutions Incorporated, (InSolutions, acquired June, 1998), and On-Demand Solutions, Inc. (acquired July, 1998). SalesLink's services are also provided through its subsidiary, Pacific Direct Marketing Corporation (Pacific Link), which was acquired in October, 1996. The Company's fulfillment services offerings include product and literature fulfillment, turnkey outsourcing, telemarketing, and sales/lead inquiry management. Traditional mailing list services are provided by the Company's subsidiary, CMG Direct Corporation (CMG Direct). Recently, CMG Direct has embarked on a strategy to also provide solutions for integrating traditional direct marketing with Internet marketing.

The Company has adopted a strategy of seeking opportunities to realize significant gains through the selective sale of investments or having separate subsidiaries or affiliates sell minority interests to outside investors. The Company believes that this strategy provides the ability to significantly increase shareholder value as well as provide capital to support the growth in the Company's subsidiaries and investments. Additionally, in fiscal year 1999, the Company will continue to develop and refine the products and services of its businesses, with the goal of significantly increasing revenue as new products are commercially introduced, and will continue to pursue a strong pace of investing in new Internet opportunities.

INTERACTIVE MARKETING INDUSTRY

Direct marketing is undergoing rapid, fundamental change, as customers' needs evolve and technology advances. Marketing channels and media outlets are expanding in number and diversifying in scope, and powerful database technologies are able to target both broad markets and individual customers with ever-greater precision. The emergence of the Internet into homes and offices has provided direct marketers with a powerful new distribution mechanism - interactive media. Interactive marketing is a subset of direct marketing. It differentiates itself from traditional direct marketing channels in that the consumer has flexibility and control over what is being presented, when they view the products or services and which types of products or services they are viewing.

In contrast to conventional media, the Internet offers capabilities to target advertising to specific audiences, to measure the popularity of content, to reach worldwide audiences cost-effectively and to create innovative and interactive advertisements. By collecting customer feedback and demographic information, advertisers can direct highly customized marketing campaigns at defined targets. In addition, the Internet enables advertisers to transact with prospective customers much more rapidly than with conventional media. The Company believes that advertisers will continue to seek to advertise on Web sites that offer a high volume of traffic and feature flexible advertisement programs capable of reaching targeted audiences. Likewise, the Company believes that as advertisers increasingly embrace the Internet as an advertising vehicle, their participation will subsidize in part the creation and expansion of the information and resources available on the Web which in turn is expected to stimulate further traffic flow.

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

PRODUCTS AND SERVICES

Products and services of the Company's majority-owned subsidiaries as of July 31, 1998 include the following:

Investment and Development

NaviSite Internet Services Corporation

NaviSite provides the high-performance, Internet outsourcing solutions of Web hosting and server management, ensuring that a customer's Web presence, database and applications are continuously operational.

In order to save money and receive better performance, security, and availability, companies are outsourcing their Internet server management. NaviSite's carrier-class data centers, private transit Internet connectivity strategy, advanced monitoring tools, backup power and complete data and network redundancy ensures that customers or end-users are receiving quality performance and security. NaviSite monitors and supports the network and its customers' servers around the clock, and provides detailed reports to its customers regarding performance, availability, and activity related to their Web sites.

NaviSite's SiteHarbor Web hosting and application solutions provide customers with the benefits of NaviSite's infrastructure as well as service, expertise, and customization to fit a customer's unique needs. The SiteHarbor product line consists of SiteHarbor CL, SiteHarbor MC, SiteHarbor EM and SiteHarbor Application Solutions. SiteHarbor CL, NaviSite's co-location Web hosting solution, is a customer-managed option for companies who wish to maintain full responsibility for the monitoring and maintenance of their servers while utilizing the benefits of NaviSite's infrastructure. SiteHarbor MC is a managed co-location Web hosting solution. This option allows customers to maintain a role in their server maintenance, but also receive management support from NaviSite. SiteHarbor EM provides enhanced server management capabilities and offers customers the NaviSite support

and Web server management tailored to the customer's unique needs. SiteHarbor Application Solutions provide hosting and management solutions for e-commerce, content management and ad-serving applications.

In addition to the SiteHarbor product line, NaviSite's NaviNet division focuses on building high quality, cost-effective wholesale dial-up networking services based on the NaviNet technology platform. NaviNet's product, GeoDial SP, enables ISPs to rapidly expand into new markets and offer the latest dial-up technologies to their customers, at a low per-user monthly cost for unlimited Internet access.

GeoDial SP aggregates multiple calling areas, deploys advanced switch bypass technology to eliminate busy signals due to port congestion, and relies on private transit Internet connectivity to bypass congested public peering points. In addition to building a unique technology solution, NaviNet is partnering with CLECs, a strategy that enables the offering of data services with minimal investment. By offering quality, low cost wholesale dial-up networking services for ISPs, GeoDial SP allows ISPs to focus on end user acquisition, technical support, and value-added services. ISPs can more easily grow and retain their subscriber base in an increasingly competitive Internet service marketplace.

In September, 1998 the Company announced that NaviSite's NaviNet division would be spun-off as a separate wholly-owned subsidiary of CMG.

NaviSite has data centers in Andover, MA and Scotts Valley, CA and currently plans to expand its Andover data center in the near future. NaviSite currently generates revenues primarily from monthly per-server management fees, installation fees and bandwidth usage charges. In addition to other customers, NaviSite manages the Internet servers for many of CMG's Internet and interactive media affiliates, including Planet Direct, Engage, Mother Nature and Parable.

Engage Technologies, Inc. and Accipiter, Inc.

In fiscal 1998, CMG purchased Accipiter, Inc., a developer of online management solutions. In August, 1998, Engage Technologies, Inc. and Accipiter, Inc. (together, Engage/Accipiter) were combined, providing customers with integrated advertising management and profiling solutions. Also, in fiscal 1998, Engage transferred its ListLab division to CMG Direct and additionally, sold certain rights to its Engage.Fusion(TM) and Engage.Discover(TM) data warehouse products to Red Brick Systems, Inc. (Red Brick). These products had been developed to accelerate the design and creation of very large data warehouses and perform high-end data query and analysis. Certain rights were retained by the company to sell these products to interactive media markets as components of its Engage/Accipiter product line. With the sale of the certain data warehouse product rights and transfer of the ListLab division, Engage/Accipiter narrowed its focus to the Internet software solutions market.

Engage/Accipiter develops and markets Web advertising and marketing solutions, enabling customers to anonymously profile and reach online audiences. The company's Web visitor Precision Profiling technology helps customers increase the relevance of their Web site's advertising, editorial and commercial content for both first-time and repeat visitors. Engage/Accipiter delivers both Web-wide and enterprise-specific profiling of visitor interests and preferences without tracking their identity. Engage/Accipiter sets a benchmark for privacy on the Web, allowing Web sites to deliver messages to the targeted audiences, while protecting individual identity. Engage/Accipiter products include the recently developed Accipiter AdManager, Accipiter AdBureau, DecisionSupportServer, ProfileServer and Engage Knowledge Profiles.

Accipiter AdManager is a software solution which operates the delivery of online advertising campaigns. Accipiter AdBureau offers the database marketing and advertising features of AdManager software as a comprehensive turnkey service, providing an alternative to organizations who wish to outsource ad management, yet maintain control over advertising sales. Accipiter AdManager and Accipiter AdBureau manage the advertising processes for over 90 leading Web sites and online ad networks.

The DecisionSupportServer software helps online marketers better understand their Web audiences through detailed analysis and reports, enabling sites to conduct profile-based research on individual visitors and convert the multi-layered data into relevant marketing information. The ProfileServer software is a one-to-one Internet marketing solution, allowing online marketers to offer personalized advertising, custom promotions and relevant content to their customers and prospects. Engage/Accipiter's Precision Profiling technology allows the profiling of each Web visitor to best match the customer's marketing needs. The Engage Knowledge Profiles provide corporations with the ability to subscribe to in-depth anonymous profiles of over 30 million Web users to target advertising, custom promotions or personalized content.

Planet Direct Corporation

Planet Direct is a personal Web service that tailors users' online experience to their interests and local community. Planet Direct integrates brand name content, over 27,000 enhanced links to popular content, and other service sites across 15 major interest areas. Planet Direct provides mainstream consumers with information such as news, sports, weather, stock quotes and other financial information, as well as phone directories, driving directions and chat rooms, in a logical and intuitive manner for quick access to personal interests in a community atmosphere.

Planet Direct's personal Web service is provided to, and co-branded by, more than 420 ISPs and affinity partners nationwide. These organizations use Planet Direct's service to enhance their own Internet offerings, giving the local ISPs, in particular, the resources to compete with the commercial online services. Planet Direct's service is available free to the ISPs' and affinity partners' members, and is also directly accessible to all Web users without disks or downloads. Planet Direct generates revenues from advertising and commerce on its service, which it shares with its ISP and affinity partners.

Planet Direct offers advertisers a large demographic database of Internet customers and usage patterns. Combining technology with member supplied demographics, Planet Direct is a medium advertisers can use to target consumers with the information on their topics of interest, at the moment they are exploring that interest.

In September, 1998, Planet Direct announced the integration of InfoMation's Echo technology into its operations to serve Planet Direct's customers and business-to-business partners.

InfoMation Publishing Corporation

InfoMation seeks to solve the problem of information overload for companies, their employees and their partners by providing knowledge management applications. Further developing the core technology acquired under license from BBN Corporation, InfoMation's Echo software is a Web-based knowledge management application for filtering, organizing, and presenting information from a variety of sources to client individuals. Echo uses standard Web browsers to retrieve and integrate highly focused information to create customized intranet, Internet and extranet solutions.

In addition to product solutions, its services also include customer support and training as well as business partnerships. InfoMation has announced business partnerships with Financial Times Information, Hewlett-Packard, Lotus Development Corporation, News Alert, Quote.com, and Telecommunications Reports International, Inc. (TRI).

ADSmart Corporation

ADSmart designs, develops, markets and supports complete sales and serving solutions to manage the Internet advertising buying and selling processes. ADSmart participates in the growth of Internet advertising by providing comprehensive and automated expert sales representation, sales forecasting, campaign management and revenue reporting to advertisers and Web publishers.

For advertisers, the ADSmart Network, a leading Internet advertising network, provides direct access to key affinity audiences on quality sites. The ADSmart Network allows advertisers to associate their brands with quality content and build unique sponsorship and co-branding relationships. As of the end of fiscal 1998, the ADSmart Network represented 32 premium sites organized around key affinity areas (College, Generation X, Sports, Travel, Business/Finance and Technology). Selected premium properties represented by the ADSmart Network included Golf.com, The Mountain Zone, GORP and IUMA.

For Web publishers, ADSmart provides outsourced solutions for advertising sales representation and ad management services. ADSmart Management Services provides a turnkey solution for Web publishers to manage the infrastructure and logistics of running an online advertising business.

Password Internet Publishing Corporation

The Password is a Web service that packages content, commerce, community chat and bulletin boards around specific areas of interest. Organized into a library of over 630 subjects, The Password allows users to read, personalize and to publish back into the library. For readers, the Password library organizes the Web around personal interests. For personalizers, the technology allows consumers to organize their favorite Web content into a single space. For publishers, The Password is a place where consumers can share their view on the Web.

The Password's service includes the features of The Password Library, My Own Password and Password Publishing. The Password Library features magazines organizing the Web content on a given subject. Editors select Web sites and then define instructions for the filtering engine to ensure that pertinent, up-to-date information is retrieved. In addition, a special interest bulletin board allows users to access information on their special interest community. My Own Password allows consumers to collect information in a personalized magazine. Users can specifically build and define a single, personal gateway on the most up-to-date information on their interests, reducing the need for extensive Web surfing. Password Publishing allows users the tools to post their magazine on a personal Web site, distribute the URL via e-mail or include the magazine in The Password Library.

The Password uses the core Echo technology developed by CMG subsidiary, InfoMation, and is complimentary to a traditional advertising strategy - namely the desire of advertisers to speak directly to special interest groups which they already know to be appropriate to their products. The Password offers a wide range of advertising, sponsorship and co-marketing opportunities for advertisers to enrich their relationship with consumers and affinity groups.

The company launched its Web site in February 1998. The Password service is free to its users, with over 150,000 visitors and over 500,000 page views a month as of October, 1998. The company seeks to generate revenues from advertising, sponsorships and commerce. The company also syndicates its content to other highly-visited Web sites.

Vicinity Corporation

Vicinity is a provider of integrated, e-retail solutions that help corporations tap into the power of the Internet, to bring Web shoppers to real-world store locations. Vicinity offers a practical, private-labeled solution that allows customers to find store locations and products quickly and conveniently using the Web. Vicinity is located in Palo Alto and San Francisco, California as well as Lebanon, New Hampshire.

For businesses, Vicinity develops and markets its corporate locator technology, content and services in four major product lines: Business Finder 4.0, Business Directory, Maps, and Driving Directions. Vicinity's content and services are delivered to Web users from Vicinity's servers, but appear to originate on the customers' Web sites under their own brand, look and feel. For consumer Web audiences, Vicinity offers a free consumer Web site called MapBlast!

Business Finder 4.0 provides businesses, particularly those with retail stores, dealerships or franchises with an effective Web-based locator solution to integrate into their sites to provide proximity and multi-attribute proximity search capabilities. With the exact address of each of the customer's locations, Business Finder 4.0 enhances the corporate Web site by allowing consumers to search for the retail outlet, branch or service provider according to their specifications (i.e., proximity, keyword, attribute or other). Upon finding the exact location they are looking for, the consumer can then generate maps and/or driving directions to get them there.

Business Directory provides up to 16 million U.S. business listings. Business Directory can be implemented by companies in whole or in part as a national Yellow Pages application or as a subject or geographically-specific directory of businesses, events or points of interest.

Vicinity Maps are interactive, high-quality, road-level detailed electronic maps that customers can incorporate into their Web sites to provide users with vivid, interactive maps of specific business facilities, landmarks and other locations of interest. Customer locations can also be plotted on maps with a logo or other symbol. The U.S. street level maps cover more than 130 major metropolitan areas. Street-level maps are also available for Canada. Driving Directions provide point-to-point, turn-by-turn directions to destinations in metropolitan areas throughout the U.S. and Canada.

MapBlast! enables users to generate interactive maps of residence or business locations, embed them in home pages and fax or e-mail them to friends and associates.

Blaxxun Interactive, Inc.

Blaxxun provides software infrastructure for 3-D online communities. Employing client/server architectures and distributed database technology, Blaxxun creates a 3-D environment infrastructure that allows individuals to meet, work, and play on the Web. Blaxxun is located in San Francisco, California and Munich, Germany.

Blaxxun uses open standards as a key element necessary for the rapid adoption of cyberspace technology. Virtual Reality Modeling Language, or VRML, a counterpart to HTML, enables the construction of virtual worlds. Like HTML, VRML is an open standard architecture that specifies formats and protocols for all aspects of virtual worlds including 3-D geometry, sound, video, interactive behavior, and avatars. Blaxxun's products, which include the Blaxxun Community Server, Community Client software and Developer packages, are VRML-compliant.

The Blaxxun Community Server, a high-performance, multi-user server allows companies to incorporate interaction into their Web sites, creating user communities for business, education and entertainment. Key features include member and place management, avatar and bot support, shared objects and various types of chat.

In addition, the Blaxxun Community Clients and several Community Developer software packages, allow integration of community technology with existing servers and databases. As a Community Client, users are able to access servers and interact with other users in the virtual 3-D environment. Community Developer software allows users to create their own customized 3-D virtual worlds.

Resellers build customer applications using Blaxxun's technology platform which range from online trade shows to shopping malls, customer support to entertainment, product promotion to corporate meetings.

Fulfillment Services
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SalesLink Corporation

SalesLink, along with its subsidiary, Pacific Link, provides product and literature fulfillment, inventory and data warehouse management, turnkey outsourcing, sales lead/inquiry management, closed-loop telemarketing, customized software solutions and value added services for the client's marketing or manufacturing programs, primarily to high technology, biotechnology, financial services, and health-care markets. SalesLink's largest customer is Cisco Systems, Inc. (Cisco), which accounted for 64% and 47% of SalesLink's fiscal year 1998 and 1997 revenues, respectively.

Product and Literature Fulfillment. On behalf of its fulfillment clients, SalesLink receives orders for promotional literature and products and "fulfills" them by assembling and shipping the items requested. Product and literature fulfillment services begin with the receipt of orders by SalesLink's inbound telemarketing staff via phone or electronic transmission directly into SalesLink's computers. Orders are then generated and presented to the production floor where fulfillment packages are assembled and shipped to either the end-user or to a broker or distributor.

Inventory and Data Warehouse Management. As adjunct services to fulfillment, SalesLink provides product and literature inventory control and warehousing, offering its customer support and management reports detailing orders, shipments, billings, back orders and returns.

Turnkey Outsourcing. SalesLink's major products include supply-based management programs. Also known as "turnkey," these programs are a form of outsourced manufacturing, in which clients retain SalesLink to purchase components and manufacture customer bills of materials into products that are either shipped to customers, channels of distribution, or to the customer's factory for final manufacturing. These outsourced manufacturing services primarily assist companies in the areas of accessory kits, software, literature and promotional products.

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

Telemarketing. SalesLink's telemarketing group offers comprehensive inbound business-to-business telemarketing services to support its sales inquiry management and order processing activities. Telemarketing services include lead qualification, order

processing fulfillment and marketing analysis. SalesLink also offers outbound business telemarketing services that are tailored to an individual client's needs. Outbound telemarketing programs can be used to update a client's existing database, survey possible markets or pre-qualify sales leads.

Customized Software Solutions. SalesLink's proprietary information management system, SL FlagShip, allows customers to better understand their sales and product ordering information. Stored at SalesLink and/or available on customers' file servers and PCs, the information is used by customers to evaluate inventory, market campaigns, and distribution channel success. SL FlagShip can solve geomarketing, budget, sales, and media problems through campaign analysis, market demographics, sales lead and territory management, source code analysis, market research and surveys.

InSolutions, Inc.

InSolutions was acquired by CMG in fiscal 1998 as an addition to its fulfillment services product line. InSolutions is an integrated software manufacturer providing comprehensive turnkey solutions for clients in the high technology industry. InSolutions' services include:

- CD-ROM, DVD and diskette replication
- Product packaging and assembly
- Fulfillment
- Print management
- Electronic order processing and software distribution
- Inventory management
- Online operations including remote access to inventory, work-in-progress, order status and package tracking.

On-Demand Solutions, Inc.

On-Demand Solutions was also acquired by CMG in fiscal 1998 as an addition to its fulfillment services product line. On-Demand Solutions provides online operations logistics solutions, offering outsourced program management that support all aspects of the "Web to Warehouse to Customer" process, and markets support programs for the high-tech, scholastic and sports industries. On-Demand Solutions online operations provide service and support in the following e-business value chain areas:

- Remote access to bills of material, "see through" inventory, work-in-progress, order status and online package tracking.
- Online inventory supply and e-mail order confirmation
- Complete turnkey product and software manufacturing and/or assembly services
- Real-time order processing and product fulfillment
- Secure online shopping and payment functionality
- Web site design, hosting and maintenance
- Marketing capabilities including campaign support, online survey/registration data capture for customer profiling, marketing collateral manufacturing & fulfillment to prospective clients and customer contact strategies

List and Database Services

CMG Direct Corporation (CMG Direct)

CMG Direct offers solutions for integrating traditional direct marketing and Internet marketing. With extensive experience in direct marketing, sophisticated database management, analysis and targeted mailing lists, CMG Direct now provides clients with a range of direct and Internet marketing services.

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

The College List Database. The College List database includes approximately 812,000 names and addresses of professors and college administrators, university deans, faculty and librarians at every college, university and junior college in North America.

CMG Direct classifies each course taught, and the faculty teaching it, into over 4,000 subject codes, which permits CMG Direct to identify all faculty teaching any particular course or subject and create lists identifying the faculty so they can be targeted. The College List is compiled by CMG Direct from course schedules and other source documents published by colleges and universities and is updated continually for new semester information.

The InfoBuyers List Database. The InfoBuyers List includes over 14 million names and addresses of direct mail purchasers of books, journals and magazines, as well as other pertinent information. The InfoBuyers List is assembled from over 120 proprietary lists of over 100 publishers and other organizations. Combining these separate customer lists into a single database permits CMG Direct to offer its clients a larger group of potential customers across a broader range of target categories than could be obtained from any single list. The database is also valuable because it is limited primarily to those consumers who have actually purchased through mail order and are therefore thought to be more likely to do so in the future. The InfoBuyers List is segmented under the same 4,000 subject codes as the College List, plus additional consumer oriented segmentation.

The Kindergarten through Grade Twelve List Database (K-12 List). The K-12 List database consists of 5.8 million names including teachers, administrators and book buying families with K-12 children in the U.S. This list also includes the names of approximately 112,780 public and private schools and approximately 15,300 public school district offices. The K-12 List is segmented into over 30 public school district demographic categories and is used by publishers of textbooks, supplemental educational materials and magazines and school supply distributors, among others. The K-12 List is compiled from federal, state and local government files and the names of school administrators and staff are developed through state directories, mailings, telephone surveys and the Internet.

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

Database Management and List Processing Services. CMG Direct's database management and list processing services provide database analysis, design, software development, testing, debugging, and maintenance for clients that want to build a customer database. These services include processing customer data, segmenting the processed information to provide the level of detail and selectivity desired, storing the information, and updating it to make it readily accessible for the client's promotional, analytical and list rental activities. Lists may be combined and enhanced with additional demographic information and other lists to form databases which can be used as the basis of additional client promotions or marketed to other list users. In combining lists, CMG Direct will offer merge/purge services to eliminate duplicate names. CMG Direct also offers private database management as a service for large volume mailers who mail to the same target lists regularly. A private database is a targeted collection of mailing lists that is used repeatedly by a restricted group of mailers.

CMGExpress.net(TM). CMGExpress.net(TM) is the Internet expansion initiative of CMG Direct Corporation. CMGExpress.net leverages CMG Direct's core competencies through its ExpressList(TM) and PermissionPlus(TM) services. ExpressList is an opt-in e-mail list service which allows marketers to purchase e-mail lists online by segments. CMG Direct's list sources are leading Web sites including InfoBeat, Yoyodyne and Roxy.com. CMG Direct's newest service, PermissionPlus(TM), is a Web site solution that enables companies to survey their customers online. It then gives the company the permission and also ability to e-mail market to their customers. This service is intended to allow clients to convert passive Web site visitors into buying customers.

BUSINESS STRATEGY

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

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

Continue to enhance and expand the Company's products and services. The Company has invested significant resources in new subsidiaries or investments which seek to capitalize on opportunities surrounding the growth of the Internet and the interactive marketing industry. The Company intends to continue to pursue the growth and development of its technologies and services and continue to introduce its products commercially. Additionally, the Company intends to continue to evaluate new opportunities to

further its investment in its direct marketing strategy and also to seek out opportunities to realize significant shareholder value through the sale of selected investments or technologies or having separate subsidiaries sell a minority interest to outsiders.

Pursue innovative advertising solutions. The Company is actively seeking to develop innovative ways for advertisers to reach their target audiences through the Internet effectively. The Company designs and offers customized packages which include the ability to change advertisements quickly and frequently, to conduct advertising test campaigns with rapid result delivery and to track daily usage statistics. The Company has developed and will continue developing software that provides the ability to target ads based on demographics and usage patterns.

Actively seek growth in the Company's fulfillment services segment. CMG intends to continue to pursue the strategy of growing its fulfillment services segment through gaining market share in its existing markets, through acquisition, and through developing new IT based products and services for its client base. During fiscal 1998, CMG built on its national fulfillment and turnkey businesses with the acquisitions of InSolutions, a turnkey provider with diskette and CD ROM manufacturing capabilities; and On-Demand Solutions, a provider of fulfillment, turnkey and Web-based catalogue and sports e-commerce services. These two new companies are being integrated with SalesLink's national turnkey and fulfillment operations, while creating an e-commerce fulfillment component that will seek to broaden the Company's market potential in the fast-growing Internet fulfillment industry.

Augment database offerings. The Company has expended significant resources to develop the most comprehensive and accurate databases of their kind available to publishers. The Company believes that its College List database is the dominant list of its kind and that the InfoBuyers List database is the only list of its kind, complemented by the K-12 List database, which is positioned to be cross sold to gain market share. The Company intends to maintain or improve its market position by expanding the number, size, nature, comprehensiveness and segmentation of its database offerings. The Company also intends to leverage its traditional direct marketing competencies through its CMGExpress.net(TM) Internet expansion initiative.

Cross-sell products and services. The Company is involved in many aspects of the direct marketing sales cycle. The Company has experienced success in fostering the cross-selling of products and services among the businesses and its portfolio, and will increasingly continue to pursue such cross-selling.

SALES AND MARKETING

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

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

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

COMPETITION

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

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

CMG's fulfillment services segment companies have several prominent competitors for the mutual fund literature fulfillment and turnkey manufacturing components of its businesses, and also compete with the internal fulfillment and manufacturing operations of manufacturing and mutual fund companies themselves. The companies in this segment also compete on the basis of pricing, geographic proximity to their clients and the speed and accuracy with which orders are processed. There are also many businesses that compete with SalesLink's, InSolutions' and On-Demand Solutions' other services.

CMG Direct competes on the basis of the accuracy, size, and comprehensiveness of its principal databases: the College List and the InfoBuyers List. The Company believes that the College List is the dominant database of its kind and has only one competitor, while the K-12 List is a relatively new product offering that will compete with the same competitor as the College List. The Company believes that the InfoBuyers List is also the dominant list of its kind. CMG Direct's database management and list processing services compete with numerous other service bureaus and compete on the basis of their effectiveness in processing customer and prospect list databases for publishers.

RESEARCH AND DEVELOPMENT

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

During fiscal years 1998, 1997 and 1996, the Company expended $19,709,000, $25,058,000 and $6,971,000, respectively, or 21.5%, 35.5% and 24.5%, respectively, of net revenues, on research and development. In addition, during fiscal years 1998, 1997 and 1996, the Company recognized $19,135,000, $1,312,000 and $2,691,000, respectively, of in-process research and development expenses in connection with acquisitions of subsidiaries and investments in affiliates.

INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS

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

EMPLOYEES

As of July 31, 1998, the Company employed a total of 1,024 persons on a full-time basis. In addition, depending on client demand, the Company utilizes manpower agencies to contract between 75 and 200 persons on a temporary, part-time basis. None of the Company's employees are represented by a labor union. The Company believes that its relations with its employees are good.

SEGMENT INFORMATION

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

SIGNIFICANT CUSTOMERS

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

ITEM 2. - PROPERTIES

FACILITIES

The location and general character of the Company's principal properties by industry segment as of July 31, 1998 are as follows:

Lists and Database Services and Corporate Headquarters

The Company leases approximately 34,000 square feet of administrative, engineering, sales and operations space in Wilmington, Massachusetts, under a lease which expires in 2000. The Company subleases 14,000 square feet of this facility to an outside party.

The Company also leases approximately 84,000 square feet of space in Andover, Massachusetts, under a lease which expires in 2002. This facility consists of executive office space for the Company's corporate headquarters, as well as administrative, engineering, sales and operations space for certain investment and development segment subsidiaries.

Fulfillment Services

The Company's east coast operations are conducted from an approximately 245,000 square foot leased facility in Boston, Massachusetts. The lease for this facility expires in 1998. The Company has recently leased a 155,000 square foot facility in Charlestown, Massachusetts, under an arrangement expiring in 2013. The Company plans to occupy the Charlestown space upon expiration of the Boston lease. Additionally, the Company leases 49,000 square feet in Wilmington, Massachusetts, under lease arrangements that expire through 2003.

The Company's west coast operations are conducted from leased facilities totaling approximately 325,000 and 100,000 square feet in Newark and Santa Clara, California, respectively. The leases for these facilities expire through 2012. Of the Newark, California facility, 39,000 square feet is subleased to an outside party.

Additionally, the Company leases an approximately 51,000 square foot operating facility in Bedford Park, Illinois under a lease which expires in 1999.

Investment and Development
- - - -------------------------

The Company leases the following significant facilities in the investment and development segment:

- - - - - 22,000 square feet in Andover, Massachusetts, under a lease that expires in 2007.
- - - - - 14,000 square feet in Scotts Valley, California, under a lease that expires in 2002.
- - - - - 12,000 square feet in Raleigh, North Carolina, under agreements that expire through 2001.
- - - - - 9,500 square feet in Burlington, Massachusetts, under a lease that expires in 2000.
- - - - - 7,600 square feet in Palo Alto, California, under a lease that expires in 2000.

The facilities in this segment primarily consist of engineering, sales, operations and administrative offices.

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

ITEM 3. - LEGAL PROCEEDINGS

The Company is not a party to any material litigation.

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

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

PART II

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

(a) Market information is set forth in Note 18 of the Notes to Consolidated Financial Statements referred to in Item 8(a) below and incorporated herein by reference.

(b) On October 20, 1998, there were 374 holders of record of common stock.

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

(d) On June 16, 1998, the Company issued 185,331 shares of its common stock to shareholders of InSolutions in consideration for the acquisition of all of the issued and outstanding shares of capital stock of InSolutions. The shares issued by the Company are not registered under the Securities Act of 1933, as amended, and carry restrictions on transfer or sale for a period of one year.

On June 16, 1998, the Company issued 125,071 shares of its common stock to shareholders of On-Demand Solutions in consideration for the acquisition of all of the issued and outstanding shares of capital stock of On-Demand Solutions. The shares issued by the Company are not registered under the Securities Act of 1933, as amended, and carry restrictions on transfer or sale for a period of two years.

The shares issued in the above mentioned transactions were issued in private placements in reliance upon the exemption provided by section 4 (2) of the Securities Act of 1933.

ITEM 6. - SELECTED CONSOLIDATED FINANCIAL DATA

The information set forth in the 1998 Annual Report to Shareholders is incorporated herein by reference and is filed herewith as Exhibit 13.1.

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

The information set forth in the 1998 Annual Report to Shareholders, referred to in Item 8(a) below, is incorporated herein by reference and is filed herewith as Exhibit 13.2.

ITEM 7A. - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The carrying values of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and notes payable, approximate fair value because of the short maturity of these instruments. The carrying value of long-term debt approximates its fair value, as estimated by using discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

The Company uses derivative financial instruments primarily to reduce exposure to adverse fluctuations in interest rates on its borrowing arrangements. The Company does not enter into derivative financial instruments for trading purposes. As a matter of policy all derivative positions are used to reduce risk by hedging underlying economic exposure. The derivatives the Company uses are straightforward instruments with liquid markets. At July 31, the Company was primarily exposed to the London Interbank Offered Rate (LIBOR) interest rate on the outstanding borrowings under its line of credit and other bank borrowing arrangements. Information about the Company's borrowing arrangements including principal amounts and related interest rates appears in Note 12 to the Consolidated Financial Statements included herein.

The Company has historically had very low exposure to changes in foreign currency exchange rates, and as such, has not used derivative financial instruments to manage foreign currency fluctuation risk. As the Company expands globally, the risk of foreign currency exchange rate fluctuation may dramatically increase. Therefore, in the future, the Company may consider utilizing derivative instruments to mitigate such risks.

ITEM 8. - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) The following consolidated financial statements of the Company and independent auditors' report set forth in the 1998 Annual Report to Shareholders are incorporated herein by reference and are filed herewith as Exhibit 13.3:

- Consolidated Balance Sheets as of July 31, 1998 and 1997
- Consolidated Statements of Operations for the three years ended July 31, 1998
- Consolidated Statements of Stockholders' Equity for the three years ended July 31, 1998
- Consolidated Statements of Cash Flows for the three years ended July 31, 1998
- Notes to Consolidated Financial Statements
- Independent Auditors' Report

(b) Selected Quarterly Financial Data (unaudited) is set forth in Note 18 of the Notes to Consolidated Financial Statements referred to in Item 8 (a) above and incorporated herein by reference.

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

None.

PART III

ITEM 10. - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

ITEM 11. - EXECUTIVE COMPENSATION

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

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

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

ITEM 13. - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

PART IV

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

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

1. Financial Statements. The financial statements as set forth under Item 8 of this report on Form 10-K are incorporated herein by reference. The following financial statements of Lycos, Inc. as required by Regulation S-X, Rule 3-09 are filed herewith as Exhibit 99.1:

   --Consolidated Balance Sheets as of July 31, 1998 and 1997

   --Consolidated Statements of Operations for the three years ended July 31, 1998

   --Consolidated Statements of Stockholders' Equity for the three years ended July 31, 1998

   --Consolidated Statements of Cash Flows for the three years ended July 31, 1998

   --Notes to Consolidated Financial Statements

   --Independent Auditors' Report

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

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

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

EXHIBIT INDEX

EXHIBIT NO.	TITLE	METHOD OF FILING
3 (i)(1)	Amendment to the Restated Certificate of Incorporation.	Incorporated by reference to Exhibit 3 (i) (1) to the Registrant's quarterly report on Form 10-Q for the quarter ended April 30, 1996
3 (i) (2)	Restated Certificate of Incorporation.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
3 (ii)	Restated By-Laws.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518)
4	Specimen Stock Certificate representing the Common Stock.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
10.01	Form of Indemnification Agreement executed between the Company and each of the members of its Board of Directors (David S. Wetherell, William H. Berkman, Craig D. Goldman, John A. McMullen and Robert J. Ranalli) in June 1998.	Filed herewith.
10.02	Lease, dated November 21, 1991, Between the Registrant and Ballardvale Park Associates II Limited Partnership.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
10.03	Lease Agreement, dated September 2, 1992, between SalesLink Corporation, the subsidiary of the Registrant, and American National Bank & Trust Company of Chicago as Trustee under Trust No. 1001971-01.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
10.04	Amendment to Lease, dated May 10, 1992, between SalesLink Corporation, the subsidiary of the Registrant, and Drydock Associates Limited Partnership.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
10.05*	Employment Agreement, dated August 1, 1993, between the Registrant and David S. Wetherell.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
10.06	Fulfillment and Inventory Management Agreement between SalesLink Corporation, the subsidiary of the Registrant, and MFS Financial Services, Inc.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
10.07	Fulfillment and Mailing Agreement, dated January 1, 1993, between SalesLink Corporation, the subsidiary of the Registrant and Kemper Financial Services, Inc.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).

EXHIBIT NO.	TITLE	METHOD OF FILING
10.08	Agreement, dated January 15, 1991, between ListLab, a division of the Registrant, and Prentice-Hall, Business and Professional Publishing Division.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
10.09	Account Indebtedness Letter Agreement, dated as of November 9, 1993, between the Registrant and David S. Wetherell.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
10.10	Amendment to Account Indebtedness Letter Agreement, dated as of January 10, 1994, between the Registrant and David S. Wetherell.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
10.11*	Amendment No. 1 to the Employment Agreement, dated January 20, 1994, between the Registrant and David S. Wetherell.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
10.12	Amendment No. 2 to Account Indebtedness Letter Agreement, dated January 25, 1994 between the Registrant and David S. Wetherell.	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
10.13	Extension Agreement dated August 4, 1995 to Fulfillment and Mailing Agreement dated January 1, 1993, between SalesLink Corporation and Kemper Financial Services, Inc.	Incorporated by reference to Exhibit 10.24 to the Registrant's annual report on Form 10-K for the year ended July 31, 1995 .
10.14	Fulfillment Master Purchase Agreement dated March 28, 1994, between SalesLink Corporation and Fidelity Investments Institutional Service Company, Inc.	Incorporated by reference to Exhibit 10.25 to the Registrant's annual report on Form 10-K for the year ended July 31, 1995.
10.15	Literature Fulfillment Agreement dated August 1, 1995, between SalesLink Corporation and Vista Capital Management.	Incorporated by reference to Exhibit 10.26 to the Registrant's annual report on Form 10-K for the year ended July 31, 1995.
10.16	License Agreement dated June 16, 1995, as amended, between the Registrant, CMG@Ventures, L.P., Carnegie Mellon University, and Lycos, Inc.	Incorporated by reference to Exhibit 10.27 to the Registrant's annual report on Form 10-K for the year ended July 31, 1995.
10.17	Agreement and Plan of Reorganization dated as of November 8, 1994, as amended, among the Registrant, BookLink Technologies, Inc., America Online, Inc. and BLT Acquisition Corporation.	Incorporated by reference from report on Form 8-K as filed with the Commission 01/01/95 (File No. 0-22846).
10.18*	1995 Employee Stock Purchase Plan, as amended.	Incorporated by reference to Exhibit 10.1 to the Registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1997.
10.19*	1986 Stock Option Plan, as amended.	Incorporated by reference to Exhibit 10.2 to the Registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1997.

EXHIBIT NO.	TITLE	METHOD OF FILING
10.20	Master Agreement dated as of February 13, 1996 between BBN Corporation and the Registrant.	Incorporated by reference to Exhibit 10.33 to the Registrant's quarterly report on Form 10-Q for the quarter ended January 31, 1996.
10.21*	1995 Stock Option Plan for Non-Employee Directors, as amended.	Incorporated by reference to Exhibit 10.3 to the Registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1997.
10.22	Amendments dated February 9, 1996 and March 4, 1996 to License Agreement dated June 16, 1995, between the Registrant, CMG@Ventures L.P., Carnegie Mellon University and Lycos, Inc.	Incorporated by reference to Exhibit 10.35 to the Registrant's quarterly report on Form 10-Q for the quarter ended January 31, 1996.
10.23	Sublease, dated September 26, 1996 between the Registrant and FTP Software, Inc.	Incorporated by reference to Exhibit 10.1 to the Registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1996.
10.24*	Amendment No. 2 to Employment Agreement, dated October 25, 1996, between the Registrant and David S. Wetherell.	Incorporated by reference to Exhibit 10.2 to the Registrant's quarterly report on Form 10-Q for the quarter ended October 31, 1996.
10.25	Supplement #1 to Sublease, dated September 26, 1996 between the Registrant and FTP Software, Inc.	Incorporated by reference to Exhibit 10.1 to the Registrant's quarterly report or Form 10-Q for the quarter ended January 31, 1997.
10.26	CMG Stock Purchase Agreement, dated as of December 10, 1996 by and between the Registrant and Microsoft Corporation.	Incorporated by reference to Exhibit 99.1 to the Registrant's current report on Form 8-K dated January 31, 1997, filed on February 14, 1997.
10.27*	CMG @Ventures, Inc. Deferred Compensation Plan.	Incorporated by reference to Exhibit 10.1 to the Registrant's quarterly report on Form 10-Q for the quarter ended April 30, 1997.
10.28	Stock Purchase Agreement dated as of October 24, 1996, among SalesLink Corporation, CMG Information Services, Inc., Pacific Direct Marketing Corp., d/b/a Pacific Link and all the stockholders of Pacific Link.	Incorporated by reference to Exhibit 2 to the Registrant's report on Form 8-K as filed with the commission 10/24/96 (File No. 0-022846).
10.29	Warrant Purchase Agreement by and among SalesLink Corporation and BankBoston, N.A., dated as of October 24, 1996.	Incorporated by reference to Exhibit 10.37 to the Registrant's annual report on Form 10-K for the year ended July 31, 1997.
10.30	Common Stock Purchase Warrant issued by SalesLink Corporation to BankBoston, N.A., dated as of October 24, 1996.	Incorporated by reference to Exhibit 10.38 to the Registrant's annual report on Form 10-K for the year ended July 31, 1997.
10.31	Revolving Credit Agreement, dated May 14, 1997, between the Registrant and BankBoston, N.A.	Incorporated by reference to Exhibit 10.49 to the Registrant's annual report on Form 10-K for the year ended July 31, 1997.
10.32	Revolving Credit Note, dated May 14, 1997, between the Registrant and BankBoston, NA.	Incorporated by reference to Exhibit 10.50 to the Registrant's annual report on Form 10-K for the year ended July 31, 1997.

EXHIBIT NO.	TITLE	METHOD OF FILING
10.33	First Amendment, dated as of May 26, 1998, to Revolving Credit Agreement, dated May 14, 1997 by and among CMG Information Services, Inc. and BankBoston, N.A. and the other lending institutions listed on Schedule 1 to the Credit Agreement.	Filed herewith.
10.34	Second Amendment, dated as of April 9, 1998, to Revolving Credit Agreement, dated May 14, 1997, by and among CMG Information Services, Inc. and BankBoston, N.A. and the other lending institutions listed on Schedule 1 to the Credit Agreement.	Filed herewith.
10.35	Third Amendment, dated as of May 31, 1998, to Revolving Credit Agreement, dated May 14, 1997, by and among CMG Information Services, Inc. and BankBoston, N.A. and the other lending institutions listed on Schedule 1 to the Credit Agreement.	Filed herewith.
10.36	Fourth Amendment, dated as of August 14, 1998, to Revolving Credit Agreement, dated May 14, 1997, by and among CMG Information Services, Inc. and BankBoston, N.A. and the other lending institutions listed on Schedule 1 to the Credit Agreement.	Filed herewith.
10.37	Fifth Amendment, dated as of September 30, 1998, to Revolving Credit Agreement, dated May 14, 1997, by and among CMG Information Services, Inc. and BankBoston, N.A. and the other lending institutions listed on Schedule 1 to the Credit Agreement.	Filed herewith.
10.38	Common Stock Purchase Agreement dated as of December 19, 1997 by and between CMG Information Services, Inc. and Intel Corporation.	Incorporated by reference to Exhibit 99.1 to the Registrant's current report on Form 8-K dated December 19, 1997, filed December 29, 1997.
10.39	ISDA Master Swap Agreement (the "Swap Agreement"), dated January 13, 1998, between BankBoston, N.A. and the Registrant.	Incorporated by reference to Exhibit 10.1 to the Registrant's quarterly report on Form 10-Q for the quarter ended January 31, 1998.
10.40	Schedule to the Swap Agreement, dated January 13, 1998.	Incorporated by reference to Exhibit 10.2 to the Registrant's quarterly report on Form 10-Q for the quarter ended January 31, 1998.
10.41	Confirmation to the Swap Agreement, dated January 13, 1998.	Incorporated by reference to Exhibit 10.3 to the Registrant's quarterly report on Form 10-Q for the quarter ended January 31, 1998.
10.42	ISDA Credit Support Annex, dated January 13, 1998, between BankBoston, N.A. and the Registrant.	Incorporated by reference to Exhibit 10.4 to the Registrant's quarterly report on Form 10-Q for the quarter ended January 31, 1998.

EXHIBIT NO.	TITLE	METHOD OF FILING
10.43	Agreement for the Assignment of Voting Rights, dated January 13, 1998, between the Registrant and Long Lane Master Trust.	Incorporated by reference to Exhibit 10.5 to the Registrant's quarterly report on Form 10-Q for the quarter ended January 31, 1998.
10.44	Repurchase Agreement, dated January 13, 1998, between the Registrant and Long Lane Master Trust.	Incorporated by reference to Exhibit 10.6 to the Registrant's quarterly report on Form 10-Q for the quarter ended January 31, 1998.
10.45	Common Stock Purchase Agreement dated as of February 15, 1998 by and between CMG Information Services, Inc. and Sumitomo Corporation.	Incorporated by reference to Exhibit 99.1 to the Registrant's current report on Form 8-K dated February 27, 1998, filed March 19, 1998.
10.46	CMG @Ventures I, LLC Limited Liability Company Agreement, dated December 18, 1997.	Incorporated by reference to Exhibit 10.1 to the Registrant's quarterly report on Form 10-Q for the quarter ended April 30, 1998.
10.47	Agreement and Plan of Merger dated as of April 8, 1998 among CMG Information Services, Inc., CMGI Acquisition Corporation, Accipiter, Inc., and Certain Stockholders of Accipiter, Inc. Named Herein.	Incorporated by reference to Exhibit 2.1 to the Registrant's current report on Form 8-K dated April 8, 1998, filed on April 23, 1998.
10.48	Employee Stockholder Escrow Agreement dated April 8, 1998.	Incorporated by reference to Exhibit 2.2 to the Registrant's current report on Form 8-K dated April 8, 1998, filed on April 23, 1998.
10.49	Non-Employee Stockholder Escrow Agreement dated April 8, 1998.	Incorporated by reference to Exhibit 2.3 to the Registrant's current report on Form 8-K dated April 8, 1998, filed on April 23, 1998.
10.50	Employee Investment Representation and Lockup Letters dated April 8, 1998.	Incorporated by reference to Exhibit 2.4 to the Registrant's current report on Form 8-K dated April 8, 1998, filed on April 23, 1998.
10.51	Non-Employee Investment Representation and Lockup Letters dated April 8, 1998.	Incorporated by reference to Exhibit 2.5 to the Registrant's current report on Form 8-K dated April 8, 1998, filed on April 23, 1998.
10.52	Registration Rights Agreement dated April 8, 1998.	Incorporated by reference to Exhibit 2.6 to the Registrant's current report on Form 8-K dated April 8, 1998, filed on April 23, 1998.
10.53	Lease, dated January 6, 1998, between the 425 Medford Nominee Trust and SalesLink Corporation for premises at 425 Medford Street, Boston, Massachusetts.	Incorporated by reference to Exhibit 10.2 to the Registrant's quarterly report on Form 10-Q for the quarter ended April 30, 1998.
10.54	CMG Information Services, Inc. Guaranty of SalesLink Corporation Lease for 425 Medford Street, Boston, Massachusetts.	Incorporated by reference to Exhibit 10.3 to the Registrant's quarterly report on Form 10-Q for the quarter ended April 30, 1998.
10.55	Supplement No. 2 to the Registrant's Lease for 100 Brickstone Square, Andover, Massachusetts.	Incorporated by reference to Exhibit 10.4 to the Registrant's quarterly report on Form 10-Q for the quarter ended April 30, 1998.

EXHIBIT NO.	TITLE	METHOD OF FILING
10.56	Supplement No. 3 to the Registrant's Lease for 100 Brickstone Square, Andover, Massachusetts.	Incorporated by reference to Exhibit 10.5 to the Registrant's quarterly report on Form 10-Q for the quarter ended April 30, 1998.
10.57	Amended and Restated Revolving Credit and Term Loan Agreement, dated as of June 11, 1998, among SalesLink Corporation, InSolutions Incorporated, Pacific Direct Marketing Corp., BankBoston, N.A. and the other lending institutions set forth in Schedule 1.	Filed herewith.
10.58	Amended and Restated Term Note, dated June 11, 1998, between SalesLink Corporation and InSolutions Incorporated and Imperial Bank.	Filed herewith.
10.59	Amended and Restated Term Note, dated June 11, 1998, between SalesLink Corporation and InSolutions Incorporated and BankBoston, N.A.	Filed herewith.
10.60	Fourth Amended and Restated Revolving Credit Note, dated June 11, 1998, between SalesLink Corporation and InSolutions Incorporated and Imperial Bank.	Filed herewith.
10.61	Fourth Amended and Restated Revolving Credit Note, dated June 11, 1998, between SalesLink Corporation and InSolutions Incorporated and BankBoston, N.A.	Filed herewith.
10.62	Amended and Restated Stock Pledge Agreement, dated June 11, 1998, between SalesLink Corporation and BankBoston, N.A.	Filed herewith.
10.63	Amended and Restated Guaranty, dated as of June 11, 1998, by Pacific Direct Marketing Corp. in favor of BankBoston, N.A.	Filed herewith.
10.64	Amended and Restated Security Agreement, dated as of June 11, 1998, among SalesLink Corporation, InSolutions Incorporated and BankBoston, N.A.	Filed herewith.
10.65	Amended and Restated Security Agreement, dated as of June 11, 1998, between Pacific Direct Marketing Corp. and BankBoston, N.A.	Filed herewith.
10.66	Amended and Restated Trademark Collateral Security and Pledge Agreement, dated as of June 16, 1998, between SalesLink Corporation and BankBoston, N.A.	Filed herewith.
10.67	Trademark Collateral Security and Pledge Agreement, dated as of June 11, 1998, between InSolutions Incorporated and BankBoston, N.A.	Filed herewith.

EXHIBIT NO.	TITLE	METHOD OF FILING
10.68	Registration Rights Agreement, dated June 16, 1998, between the listed shareholders and CMG Information Services, Inc.	Filed herewith.
10.69	CMG@Ventures II, LLC Operating Agreement, dated as of February 26, 1998	Filed herewith.
13.1	Selected Consolidated Financial Data.	Filed herewith.
13.2	Management's Discussion and Analysis of Financial Condition and Results of Operations.	Filed herewith.
13.3	Consolidated Financial Statements, Supplementary Data, and Independent Auditors' Report.	Filed herewith.
21	Subsidiaries of the Registrant.	Filed herewith.
23.1	Consent of Independent Auditors.	Filed herewith.
23.2	Consent of Independent Auditors for Lycos, Inc.	Filed herewith.
27.1	Restated Financial Data Schedule for the year ended July 31, 1997.	Filed herewith.
27.2	Financial Data Schedule for the year ended July 31, 1998.	Filed herewith.
99.1	Consolidated Financial Statements and Independent Auditors' Report Thereon of Lycos, Inc.	Filed herewith.

* Management contracts and compensatory plans or arrangements.

(B) Reports on Form 8-K

On June 12, 1998, the Company filed a report on Form 8-K/A amending the Form 8-K dated April 8, 1998 in conjunction with the acquisition of all the issued and outstanding shares of capital stock of Accipiter, Inc. in exchange for approximately 1,264,000 shares of the Company's common stock.

On July 1, 1998, the Company filed a report on Form 8-K dated June 16, 1998 in conjunction with the acquisition of all the issued and outstanding shares of capital stock of InSolutions, Incorporated in exchange for approximately 185,000 shares of the Company's common stock, $5 million in cash and a note payable to a former employee shareholder.

REPORT OF INDEPENDENT AUDITORS
ON FINANCIAL STATEMENT SCHEDULE

The Board of Directors
CMG Information Services, Inc.:

Under date of September 22, 1998, except for Note 19 which is as of October 27, 1998, we reported on the Consolidated Balance Sheets of CMG Information Services, Inc. as of July 31, 1998 and 1997, and the related Consolidated Statements of Operations, Stockholders' Equity, and Cash Flows for each of the years in the three-year period ended July 31, 1998, which are included in the Form 10-K for the year ended July 31, 1998. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule of Valuation and Qualifying Accounts in the Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG Peat Marwick LLP

KPMG PEAT MARWICK LLP

Boston, Massachusetts
September 22, 1998

CMG INFORMATION SERVICES, INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JULY 31, 1996, 1997, 1998

Accounts Receivable, Allowance for Doubtful Accounts	Balance at beginning of period	Additions: Acquisitions	Additions: Additions Charged to Costs and Expenses (Bad Debt Expense)	Deductions: Deductions (Charged against Accounts Receivable)	Deductions: (a) Deconsolidation/ Dispositions	Balance at end of period
1996	$ 148,000	$ --	$ 294,000	$ --	$	$ 442,000
1997	$ 442,000	$ 395,000	$ 442,000	$ 186,000	$ 10,000	$ 1,083,000
1998	$ 1,083,000	$ 264,000	$ 466,000	$ 99,000	$ 659,000	$ 1,055,000

(a) Amount of $659,000 in fiscal 1998 relates to the effect of deconsolidation of Lycos, Inc. on November 1, 1997. Amount of $10,000 in fiscal 1997 relates to the disposition of the Company's subsidiary, NetCarta Corporation in January 1997.

SIGNATURES

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

CMG INFORMATION SERVICES, INC.
(Registrant)

Date: October 29, 1998

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

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

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

EXHIBIT 10.01

INDEMNIFICATION AGREEMENT

This Agreement is made as of this _____ day of _____, 199_, between CMG Information Services, Inc., a Delaware corporation (the "Company"), and _____ (the "Indemnitee").

WITNESSETH THAT:

WHEREAS, it is essential to the Company to retain and attract as Directors the most capable people available; and

WHEREAS, the Indemnitee is a Director of the Company and in such capacity provides valuable services to the Company; and

WHEREAS, both the Company and the Indemnitee recognize that the Indemnitee, while serving as a Director of the Company is exposed to a substantial risk of expensive litigation at a time when liability insurance may not continue to be available to insure adequately against such risk, and at a time when the Company and the Indemnitee recognize that the Indemnitee is not being paid sufficient compensation by the Company to compensate for such risk; and

WHEREAS, it is now and has always been the express policy of the Company to indemnify its Directors and Officers; and

WHEREAS, the Company has adopted an Article in its Restated Certificate of Incorporation and a By-Law providing for the indemnification of Officers and Directors of the Company as authorized by Section 145 of the Delaware General Corporation Law; and

WHEREAS, such Article and By-Law and the Delaware General Corporation Law specifically provide that they are not exclusive, and thereby contemplate that individual indemnification agreements may be entered into between the Company and its Directors; and

WHEREAS, in accordance with the authorization provided by law, the Company intends to purchase and maintain a policy or policies of Directors and Officers Liability Insurance ("D&O Insurance"), providing certain basic protection against risk of personal liability of Directors and Officers at a reasonable cost, and Indemnitee has relied on the availability of such coverage, but such coverage may become increasingly difficult to obtain on terms providing reasonable protection at a reasonable cost for all risks; and

WHEREAS, to induce Indemnitee to serve or to continue to serve as a Director of the Company and to provide Indemnitee with specific contractual assurance of substantial protection against personal liability (regardless of, among other things, any amendment to or revocation of any provision of the Company's Restated Certificate of Incorporation or By-Laws concerning indemnification or any change in the composition of the Company's Board of Directors or any acquisition of the Company), the Company desires to enter into this Agreement; and

WHEREAS, in order to induce Indemnitee to become, or to remain in Indemnitee's position as, a Director of the Company and in consideration of Indemnitee's so becoming or remaining, the Company desires to indemnify Indemnitee according to the terms and conditions set forth below; and

WHEREAS, the form of this Indemnification Agreement has been ratified and approved by the stockholders of the Company.

NOW, THEREFORE, in consideration of the foregoing premises and of the Indemnitee's serving or continuing to serve the Company, and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. AGREEMENT TO SERVE. Indemnitee agrees to serve or to continue to serve as a Director of the Company for so long as he is duly elected or until such time as he tenders his resignation in writing or his status as a Director is terminated.

2. DEFINITIONS. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Change in Control" shall be deemed to have occurred when (i) there has been a change in control of the Company, not approved by a resolution of the Company's Board of Directors, of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including in any event the acquisition by any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) of beneficial ownership, directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities, (ii) followed within a period of not more than two years by a change in the identity of a majority of the members of the Company's Board of Directors otherwise than through death, disability or retirement in accordance with the Company's retirement policies.

(b) The term "Claim" shall include any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation, whether brought by or in the right of the Company or by any other party and whether of a civil, criminal, administrative or investigative nature, including any inquiry or investigation which the Indemnitee in good faith believes might lead to the institution of any action, suit or proceeding, in which Indemnitee may be or may have been involved as a party, witness or otherwise, by reason of the fact that Indemnitee is or was a Director of the Company, by reason of any action taken by him or of any inaction on his part while acting as such a Director, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise; in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification or reimbursement can be provided under this Agreement.

(c) The term "Expenses" shall include, without limitation, expenses of investigations, judicial or administrative proceedings or appeals, amounts paid in settlement of

any Claim by or on behalf of Indemnitee, attorneys, fees and disbursements, any expenses of establishing a right to indemnification or Expense Advances under Sections 9 and 10 of this Agreement, and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participant in, any Claim, but shall not include the amount of judgments, fines or penalties against Indemnitee.

(d) References to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries.

(e) "Potential Change in Control" shall be deemed to have occurred if (i) any person publicly announces an intention to take or to consider taking such actions which if consummated might result in a Change in Control, (ii) any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) acquires beneficial ownership, directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities, or (iii) the Company's Board of Directors in its sole discretion adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

3. BASIC INDEMNIFICATION. The Company hereby agrees to hold harmless and indemnify Indemnitee and Indemnitee's successors referred to in Section 17 hereof to the fullest extent authorized or permitted by the General Corporation Law of the State of Delaware, or any other applicable law, or by any amendment thereof or other statutory provision authorizing or permitting such indemnification which is adopted after the date hereof.

4. INDEMNITY IN THIRD-PARTY CLAIMS. The Company shall indemnify Indemnitee in accordance with the provisions of this Paragraph 4 if Indemnitee is a party or witness to, or threatened to be made a party or witness to, or otherwise involved in any Claim (other than a Claim by or in the right of the Company to procure a judgment in its favor) by reason of the fact that Indemnitee is or was a Director of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against all Expenses, judgments, fines and penalties, actually incurred by Indemnitee in connection with such Claim; provided that such indemnification shall not apply to any Claim (i) in which Indemnitee shall have been finally adjudged to have engaged in willful misconduct or to have acted in a manner which was knowingly fraudulent or deliberately dishonest, or (ii) in the case of a criminal proceeding, in which Indemnitee had reasonable cause to believe that his conduct was unlawful. The Indemnitee shall be presumed to be entitled to indemnification hereunder to the fullest extent possible, and the burden of proving otherwise shall be on the party claiming to diminish such indemnification. The termination of any Claim by judgment, order of court, settlement, conviction or upon a plea of nolo contendre, or its equivalent, shall not create a presumption that Indemnitee engaged in willful misconduct or acted in a manner which was knowingly fraudulent or deliberately dishonest, and with respect to any criminal proceedings, shall not create a presumption that Indemnitee had reasonable cause to believe that his conduct was unlawful.

5. INDEMNITY IN CLAIMS BY OR IN THE RIGHT OF THE COMPANY. The Company shall indemnify Indemnitee in accordance with the provisions of this Paragraph 5 if Indemnitee is a party or witness to, or threatened to be made a party or witness to, or otherwise involved in any Claim by or in the right of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a Director of the Company, or is or was serving at the request of the Company as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, against all Expenses actually incurred by Indemnitee in connection with such Claim provided that such indemnification for Expenses shall not apply to any Claim in which Indemnitee shall have been finally adjudged to have engaged in willful misconduct or to have acted in a manner which was knowingly fraudulent or deliberately dishonest, unless (and only to the extent that) any court in which such Claim was brought shall determine upon application, that despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as such court shall deem proper. The Indemnitee shall be presumed to be entitled to indemnification hereunder to the fullest extent possible and the burden of proving otherwise shall be on the party claiming to diminish such indemnification.

6. INSURANCE. In the event the Company's D&O Insurance shall terminate or the scope or amount of coverage of the Company's D&O Insurance shall be reduced from the scope and coverage in effect during the first year of this Agreement, the Company agrees to hold harmless and indemnify the Indemnitee to the fullest extent permitted by applicable law to the full extent of the coverage which is in effect during the first year of this Agreement. Notwithstanding the foregoing, the Company is not obligated to maintain any D&O Insurance.

7. SECTION 16(B) LIABILITY. The Company shall not be liable under this Agreement to make any payment in connection with any claim made against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any state statutory law or common law.

8. INDEMNIFICATION OF EXPENSES OF SUCCESSFUL PARTY. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise, including the dismissal of an action without prejudice or the settlement of an action without admission of liability, in defense of any Claim or in defense of any claim, issue or matter therein, Indemnitee shall be indemnified against all Expenses incurred in connection therewith without the necessity of authorization in the specific case.

9. ADVANCEMENT OF EXPENSES. Expenses incurred by the Indemnitee in connection with any Claim or in connection with any proceeding brought by Indemnitee under Section 10 or 13 hereof, must be paid by the Company in advance ("Expense Advances") immediately upon the written request of the Indemnitee provided Indemnitee shall undertake the repay such Expense Advances to the extent that it is ultimately determined that Indemnitee is not entitled to indemnification.

10. RIGHT OF INDEMNIFICATION UPON APPLICATION; PROCEDURE UPON APPLICATION.

Any payment hereunder with respect to any judgment, fine or penalty shall be made no later than 45 days after receipt by the Company of the written request of Indemnitee, unless a determination has been made by a court of competent jurisdiction, or unless a determination is made within said 45-day period by independent legal counsel (appointed by the Company and approved by the Indemnitee) in a written opinion that the Indemnitee has not met the relevant standards for indemnification. All payments of Expense Advances must be made immediately in accordance with the terms and conditions of Section 9 except as provided in this Section 10.

The right to indemnification and the immediate right to Expense Advances pending final determination of the right to indemnification or lack thereof, as provided by this Agreement shall be enforceable by the Indemnitee in any court of competent jurisdiction. The burden of proving that indemnification is not appropriate as provided in this Agreement or otherwise shall be on the party claiming to diminish such indemnification. The failure of the Company (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, shall not be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct. Indemnitee's expenses reasonably incurred in connection with successfully establishing has right to indemnification, in whole or in part, with respect to any such Claim shall also be paid by the Company under this Agreement immediately upon written request in advance in accordance with the terms and conditions of Section 9.

In the event of any demand by the Indemnitee for the indemnification with respect to any judgment, fine or penalty hereunder or under the Company's By-Laws, the Board of Directors of the Company shall either approve the indemnification or shall designate independent legal counsel referred to above. The obligations of the Company hereunder with respect to the payment of any judgment, fine or penalty shall be subject to the condition that the independent legal counsel shall not have determined (in a written opinion) that the Indemnitee is not permitted to be indemnified under Applicable law. The obligation of the Company to make Expense Advances pursuant to this Agreement shall be subject to the condition that, if, when and to the extent that the independent legal counsel determines that the Indemnitee is not permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by the Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid. If the Indemnitee has commenced legal proceedings (either before or after the determination by independent legal counsel) in a court of competent jurisdiction to secure a determination that the Indemnitee may be indemnified under this Agreement or otherwise, any determination made by the independent legal counsel that the Indemnitee is not permitted to be indemnified under applicable law shall not be binding, and the Indemnitee shall not be required to reimburse the Company for any Expense Advances and shall continue to be entitled to Expense Advances until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has been no determination by the independent legal counsel or if the independent legal counsel determines that the Indemnitee is not permitted to be indemnified in whole or in part under applicable law, the Indemnitee shall have the right to commence litigation in any court in the states of Massachusetts or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the independent legal counsel or any aspect thereof, and the Company hereby consents to service of process and to appear in any such proceeding.

11. CHANGE IN CONTROL. The Company agrees that if there is a Change in Control of the Company, then with respect to all matters thereafter arising concerning the rights of the Indemnitee to indemnify payments and Expense Advances under this Agreement or any other agreement or Company By-Law now or hereafter in effect relating the Claims, the Company shall seek legal advice only from independent counsel selected by the Indemnitee and approved by the Company (which approval shall not be unreasonably withheld) who has not otherwise performed services for the Company within the last ten years (other than in connection with such matters) or for the Indemnitee. Such counsel, among other things, shall render its written opinion to the Company and the Indemnitee as to whether and to what extent the Indemnitee is permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of such independent counsel and to indemnify such counsel against any and all expenses (including attorneys, fees), claims, liabilities and damages relating to this Agreement or its engagement pursuant hereto.

12. ESTABLISHMENT OF TRUST. In the event of a Potential Change in Control, the Company may, and upon the request of the Indemnitee shall, create a Trust for the benefit of the Indemnitee (either alone or together with one or more other indemnities) and from time to time fund such Trust in such amounts as the Company's Board of Directors may determine to satisfy Expenses reasonably anticipated to be incurred in connection with investigating, preparing for and defending any Claim (which determination shall be made by the Company's Board of Directors in good faith from time to time upon the request of the Indemnitee), and all judgments, fines, penalties and settlement amounts of all Claims from time to time paid or claimed, reasonably anticipated or proposed to be paid. The term of any Trust established pursuant hereto shall provide that upon a Change in Control (i) the Trust shall not be revoked or the principal thereof invaded, without the written consent of the Indemnitee, (ii) the Trustee shall advance, within two business days of a request by the Indemnitee, all Expenses to the Indemnitee (and the Indemnitee hereby agrees to reimburse the Trust under the circumstances under which the Indemnitee would be required to reimburse the Company under this Agreement), (iii) the Trustee shall promptly pay to the Indemnitee all amounts for which the Indemnitee shall be entitled to indemnification pursuant to this Agreement or otherwise, and (iv) all unexpended funds in such Trust shall revert to the Company upon a final determination by the independent legal counsel or a court of competent jurisdiction, as the case may be, that the Indemnitee has been fully indemnified under the terms of this Agreement. The Trustee shall be a person or entity satisfactory to the Indemnitee. Nothing in this Section 12 shall relieve the Company of any of its obligations under this Agreement.

13. INDEMNIFICATION FOR ADDITIONAL EXPENSES. The Company shall indemnify the Indemnitee against all expenses (including attorneys, fees) and, if requested by the Indemnitee, shall immediately advance such expenses to the Indemnitee, which are incurred by the Indemnitee in connection with any claim asserted or action brought by the Indemnitee for (i) indemnification or payment of Expense Advances by the Company under this Agreement or any other agreement or Company By-Law now or hereafter in effect relating to Claims, or (ii) recovery under any D&O Insurance policies maintained by the Company, provided the Indemnitee undertakes to repay such expenses to the extent that it is ultimately determined that Indemnitee is not entitled to such indemnification, Expense Advances, or insurance recovery, as the case may be.

14. PARTIAL INDEMNIFICATION. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines or penalties actually and reasonably incurred by him in the investigation, defense, appeal or settlement of any Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses, judgments, fines or penalties to which Indemnitee is entitled.

15. AGREEMENT NOT EXCLUSIVE: SUBROGATION RIGHTS ETC. This Agreement shall not be deemed exclusive of and shall not diminish any other rights Indemnitee may have to be indemnified or insured by the Company, any subsidiary of the Company or any other person or entity under any certificate of incorporation, by-law, agreement, policy of insurance, surety, vote of stockholders or disinterested directors or otherwise, whether or not now in effect, and shall continue as to Indemnitee after Indemnitee has ceased to be a Director and shall inure to the benefit of Indemnitee's successors referred to in Section 17 hereof.

In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all such papers and do all such things as may be necessary or desirable to secure such rights. The Company shall not be liable under this Agreement to make any payment in connection with any claim made against the Indemnitee to the extent the Indemnitee has otherwise received payment (under any insurance policy, By-law or otherwise) of the amounts otherwise indemnifiable hereunder.

16. CONTINUATION OF INDEMNITY. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is a director, officer, employee or agent of the Company (or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal or investigative, by reason of the fact that Indemnitee was a Director of the Company or serving in any other capacity referred to herein.

17. SUCCESSOR; BINDING AGREEMENT. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance reasonably satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

This Agreement shall inure to the benefit of and be enforceable by Indemnitee's personal or legal representatives, executors, administrators, successors, heirs, devisee and legatees. If Indemnitee should die while any amounts would still be payable to Indemnitee hereunder if Indemnitee had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Indemnitee's devisee, legatees, or other designees, or if there be no such devisee, legatees or designees, to Indemnitee's estate.

18. NOTIFICATION AND DEFENSE OF CLAIM. Promptly after receipt of Indemnitee of notice of the commencement of any Claim, Indemnitee will, if a claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof, but the omission so to notify the Company will not relieve it from any liability which it may have to Indemnitee hereunder. With respect to any such Claim as to which Indemnitee notifies the Company of the commencement thereof.

(a) The Company will be entitled to participate therein at its own expense; and

(b) Except as otherwise provided below, to the extent that it may wish, the Company jointly with any other indemnifying party similarly notified will be entitled to assume the defense thereof, with counsel satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election so to assume the defense thereof, the Company will not be liable to Indemnitee under this Agreement for any legal or other expenses subsequently incurred by Indemnitee in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ its own counsel with respect to such Claim, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof with counsel satisfactory to Indemnitee shall be at the expense of Indemnitee unless (i) the employment of counsel by Indemnitee has been authorized by the Company (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense of such Claim, or (iii) the Company shall not in fact have employed counsel to assume the defense of such Claim, in each of which cases the fees and expenses of counsel for the Indemnitee shall be paid immediately by the Company. The Company shall not be entitled to assume the defense of any Claim brought by or on behalf of the Company or as to which Indemnitee shall have made the conclusion provided for in (ii) above; and

(c) The Company shall not be liable to indemnify the Indemnitee under his Agreement for any amounts paid in settlement of any Claim effected without its written consent. The Company shall not settle any Claim in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Neither the Company nor Indemnitee will unreasonably withhold their consent to any proposed settlement.

19. ENFORCEMENT. The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on the Company hereby in order to induce Indemnitee to continue as a Director of the Company, and acknowledges that Indemnitee is relying upon this Agreement in continuing in such capacity.

20. SEPARABILITY. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others, so that if any provision hereof shall be held to be invalid or unenforceable for any reason; such invalidity or unenforceability shall not affect the validity or enforceability of the provisions hereof, which other provisions shall remain in full force and effect.

21. MISCELLANEOUS. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Indemnitee and either the Company's Chief Executive Officer or another officer of the Company specifically designated by the Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware, without giving effect to the principals of conflicts of laws thereof.

22. NOTICES. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requests, postage prepaid as follows:

If to Indemnitee:

If to the Company:

CMG Information Services, Inc.
100 Brickstone Square
1st Floor
Andover, MA 01810

With a copy to Counsel:

William Williams II, Esquire
Palmer & Dodge LLP
One Beacon Street
Boston, MA 02108

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

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

24. EFFECTIVENESS. This Agreement shall be effective as of the date it is executed.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the day and year first above written.

CMG INFORMATION SERVICES, INC.

By: ---

Title:

Indemnitee

EXHIBIT 10.33

FIRST AMENDMENT
TO
REVOLVING CREDIT AGREEMENT

First Amendment dated as of May 26, 1998 to Revolving Credit Agreement (the "First Amendment"), by and among CMG INFORMATION SERVICES, INC., a Delaware corporation (the "Borrower"), BANKBOSTON, N.A. (FORMERLY KNOWN AS THE FIRST NATIONAL BANK OF BOSTON) and the other lending institutions listed on Schedule 1 to the Credit Agreement (as hereinafter defined) (the "Banks"), amending certain provisions of Revolving Credit Agreement dated as of May 14, 1997 (as amended and in effect from time to time, the "Credit Agreement") by and among the Borrower, the Banks and BankBoston, N.A. as agent for the Banks (the "Agent"). Terms not otherwise defined herein which are defined in the Credit Agreement shall have the same respective meanings herein as therein.

WHEREAS, the Borrower and the Banks have agreed to modify certain terms and conditions of the Credit Agreement as specifically set forth in this First Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

(S)1. AMENDMENT TO SECTION 1 OF THE CREDIT AGREEMENT. Section 1 of the Credit Agreement is hereby amended by deleting the date "May 14, 1998" which appears in the definition of "Revolving Credit Loan Maturity Date" and substituting in place thereof the date "August 14, 1998".

(S)2. AMENDMENT TO SECTION 2 OF THE CREDIT AGREEMENT. Section 2.4 of the Credit Agreement is hereby amended by deleting the words "at the rate of two and one-half percent (2 1/2%) per annum above the LIBOR Rate" and substituting in place thereof the words "at the rate of two percent (2%) per annum above the LIBOR Rate".

(S)3. AMENDMENT TO SCHEDULE 1 OF THE CREDIT AGREEMENT. Schedule 1 of the Credit Agreement is hereby amended by deleting Schedule 1 in its entirety and substituting in place thereof the Schedule 1 attached hereto.

(S)4. CONDITIONS TO EFFECTIVENESS. This First Amendment shall not become effective until the Agent receives the following:

(a) a counterpart of this First Amendment, executed by the Borrower and the Banks; and

(b) evidence that all necessary corporate action has been taken on the part of the Borrower to authorize the transactions contemplated hereby.

(S)5. REPRESENTATIONS AND WARRANTIES. The Borrower hereby repeats, on and as of the date hereof, each of the representations and warranties made by it in (S)5 of the Credit Agreement, and such representations and warranties remain true as of the date hereof (except to the extent of changes resulting from transactions contemplated or permitted by the Credit Agreement and the other Loan Documents and changes occurring in the ordinary course of business that singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties relate expressly to an earlier date),

provided, that all references therein to the Credit Agreement shall refer to such Credit Agreement as amended hereby. In addition, the Borrower hereby represents and warrants that the execution and delivery by the Borrower of this First Amendment and the performance by the Borrower of all of its agreements and obligations under the Credit Agreement as amended hereby are within the corporate authority of each the Borrower and has been duly authorized by all necessary corporate action on the part of the Borrower.

(S)6. RATIFICATION, ETC. Except as expressly amended hereby, the Credit Agreement and all documents, instruments and agreements related thereto are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Credit Agreement and this First Amendment shall be read and construed as a single agreement. All references in the Credit Agreement or any related agreement or instrument to the Credit Agreement shall hereafter refer to the Credit Agreement as amended hereby.

(S)7. NO WAIVER. Nothing contained herein shall constitute a waiver of, impair or otherwise affect any Obligations, any other obligation of the Borrower or any rights of the Agent or the Banks consequent thereon.

(S)8. COUNTERPARTS. This First Amendment may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

(S)9. GOVERNING LAW. THIS FIRST AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as a document under seal as of the date first above written.

CMG INFORMATION SERVICES, INC.

By:

Title:

BANKBOSTON, N.A.

By:

Title:

SCHEDULE 1

BANKS/COMMITMENTS

Banks	Revolving Credit Loan Commitment	Commitment Percentage of Revolving Credit Loans
BANKBOSTON, N.A. Domestic Lending Office: 100 Federal Street, 01-08-06 Boston, Massachusetts 02110 Attn: High Technology Division Eurodollar Lending Office: Same as above	$4,000,000	100%
Totals:	$4,000,000	100%

EXHIBIT 10.34

SECOND AMENDMENT
TO
REVOLVING CREDIT AGREEMENT

Second Amendment dated as of April 9, 1998 to Revolving Credit Agreement (the "Second Amendment"), by and among CMG INFORMATION SERVICES, INC., a Delaware corporation (the "Borrower"), BANKBOSTON, N.A. (FORMERLY KNOWN AS THE FIRST NATIONAL BANK OF BOSTON) and the other lending institutions listed on Schedule 1 to the Credit Agreement (as hereinafter defined) (the "Banks"),
amending certain provisions of Revolving Credit Agreement dated as of May 14, 1997 (as amended and in effect from time to time, the "Credit Agreement") by and among the Borrower, the Banks and BankBoston, N.A. as agent for the Banks (the "Agent"). Terms not otherwise defined herein which are defined in the Credit Agreement shall have the same respective meanings herein as therein.

WHEREAS, the Borrower and the Banks have agreed to modify certain terms and conditions of the Credit Agreement as specifically set forth in this Second Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

(S)1. AMENDMENT TO SECTION 1 OF THE CREDIT AGREEMENT. Section 1 of the Credit Agreement is hereby amended by inserting the following definition in the appropriate alphabetical order:

Accipiter Acquisition. The merger of the Borrower's wholly-owned Subsidiary with and into Accipiter, Inc., with Accipiter, Inc. being the surviving entity, all on such terms and conditions as are satisfactory to the Agent.

(S)2. AMENDMENT TO SECTION 7.2 OF THE CREDIT AGREEMENT. Section 7.2 of the Credit Agreement is hereby amended as follows:

(a) Section 7.2(c)(iv) of the Credit Agreement is hereby amended by inserting immediately after the words "Investments made by the Borrower in compliance with its Investment Policy" the words "and Investments consisting of acquisitions permitted by (S)7.2(e) hereof".

(b) Section 7.2(e) of the Credit Agreement is hereby amended by deleting (S)7.2(e) in its entirety and restating it as follows:

(e) become party to a merger or sale-leaseback transaction, or to effect any disposition of assets other than in the ordinary course, and other than the sale of shares of a wholly-owned Subsidiary of the Borrower so long as the net cash proceeds of such sale received by the Borrower are equal to or greater than the carrying costs of the remaining shares of such Subsidiary after giving effect to such sale, or to purchase, lease or otherwise acquire assets other than in the ordinary course (with the parties hereto hereby acknowledging that minority Investments by the Borrower in CMG @ Ventures 1 and CMG @ Ventures II shall be considered acquisitions of assets in the ordinary course); provided, however, the Borrower shall be permitted to acquire assets and/or stock of another entity so long as (i) such entity is in the same or a similar line of

business as the Borrower; (ii) other than in connection with the Accipiter Acquisition, the Borrower has provided the Bank with five (5) Business Days prior written notice of such acquisition, which notice shall include a reasonably detailed description of such acquisition; (iii) the business and/or entity to be acquired would not subject the Agent or any Bank to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or the other Loan Documents; (iv) other than in connection with the Accipiter Acquisition, the Borrower has demonstrated to the satisfaction of the Agent and the Banks, based on a pro forma Compliance Certificate, compliance with (S)7.3 on a pro forma basis immediately prior to and after giving effect to any such acquisition; (v) the business and assets so acquired in each such acquisition shall be acquired by the Borrower free and clear of all liens and Indebtedness; and (vi) the aggregate purchase price of all acquisitions permitted hereunder does not exceed the greater of (1) $11,000,000 and (2) the aggregate purchase price of the Accipiter Acquisition during the term of this Agreement.

(S)3. AMENDMENT TO SECTION 7.3 OF THE CREDIT AGREEMENT. Section 7.3(a) of the Credit Agreement is hereby amended by deleting (S)7.3(a) in its entirety and restating it as follows:

(a) make capital expenditures which in the aggregate and on a consolidated basis exceed (i) $10,000,000 in the 1998 fiscal year; and (ii) $3,700,000 in any fiscal year ending thereafter; provided, however, that if during any fiscal year, other than the 1998 fiscal year, the amount of capital expenditures permitted for that fiscal year is not so utilized, such unutilized amount may be utilized in the next succeeding fiscal year, but not in any subsequent year;

(S)4. CONDITIONS TO EFFECTIVENESS. This Second Amendment shall not become effective until the Agent receives a counterpart of this Second Amendment, executed by the Borrower and the Banks.

(S)5. REPRESENTATIONS AND WARRANTIES. The Borrower hereby repeats, on and as of the date hereof, each of the representations and warranties made by it in (S)5 of the Credit Agreement, and such representations and warranties remain true as of the date hereof (except to the extent of changes resulting from transactions contemplated or permitted by the Credit Agreement and the other Loan Documents and changes occurring in the ordinary course of business that singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties relate expressly to an earlier date),

provided, that all references therein to the Credit Agreement shall refer to such Credit Agreement as amended hereby. In addition, the Borrower hereby represents and warrants that the execution and delivery by the Borrower of this Second Amendment and the performance by the Borrower of all of its agreements and obligations under the Credit Agreement as amended hereby are within the corporate authority of each the Borrower and has been duly authorized by all necessary corporate action on the part of the Borrower.

(S)6. RATIFICATION, ETC. Except as expressly amended hereby, the Credit Agreement and all documents, instruments and agreements related thereto are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Credit Agreement and this Second Amendment shall be read and construed as a single agreement. All references in the Credit Agreement or any related agreement or instrument to the Credit Agreement shall hereafter refer to the Credit Agreement as amended hereby.

(S)7. NO WAIVER. Nothing contained herein shall constitute a waiver of, impair or otherwise affect any Obligations, any other obligation of the Borrower or any rights of the Agent or the Banks consequent thereon.

(S)8. COUNTERPARTS. This Second Amendment may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

(S)9. GOVERNING LAW. THIS SECOND AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as a document under seal as of the date first above written.

CMG INFORMATION SERVICES, INC.

By:

Title:

BANKBOSTON, N.A.

By:

Title:

EXHIBIT 10.35

THIRD AMENDMENT
TO
REVOLVING CREDIT AGREEMENT

Third Amendment dated as of May 31, 1998 to Revolving Credit Agreement (the "Third Amendment"), by and among CMG INFORMATION SERVICES, INC., a Delaware corporation (the "Borrower"), BANKBOSTON, N.A. (FORMERLY KNOWN AS THE FIRST NATIONAL BANK OF BOSTON) and the other lending institutions listed on Schedule 1 to the Credit Agreement (as hereinafter defined) (the "Banks"), amending certain provisions of Revolving Credit Agreement dated as of May 14, 1997 (as amended and in effect from time to time, the "Credit Agreement") by and among the Borrower, the Banks and BankBoston, N.A. as agent for the Banks (the "Agent"). Terms not otherwise defined herein which are defined in the Credit Agreement shall have the same respective meanings herein as therein.

WHEREAS, the Borrower and the Banks have agreed to modify certain terms and conditions of the Credit Agreement as specifically set forth in this Third Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

(S)1. AMENDMENT TO SECTION 1 OF THE CREDIT AGREEMENT. Section 1 of the Credit Agreement is hereby amended by inserting the following definition in the appropriate alphabetical order:

InSolutions Acquisition. The merger of InSolutions Incorporated with and into the Borrower's wholly-owned Subsidiary, with such wholly-owned Subsidiary being the surviving entity and thereafter changing its name to InSolutions Incorporated, all on such terms and conditions as are satisfactory to the Agent.

Lee Note. That certain Term Note to be dated as of June 16, 1998 from the Borrower to Robert Lee in the original principal amount of $4,249,845 issued in connection with the InSolutions Acquisition, which Term Note shall be in form and substance satisfactory to the Agent.

Servercast Acquisition. The acquisition by NaviSite, Inc., a wholly-owned Subsidiary of the Borrower, on or prior to July 1, 1998 of the membership interests of Servercast Communications, L.L.C., all on such terms and conditions as are satisfactory to the Agent.

OnDemand Acquisition. The merger of the Borrower's wholly-owned Subsidiary with and into On-Demand Solutions, Inc. on or prior to July 31, 1998, with On-Demand Solutions, Inc. being the surviving entity, all on such terms and conditions as are satisfactory to the Agent.

SalesLink Intercompany Note. That certain Intercompany Note to be dated as of June 16, 1998 from the Borrower to SalesLink in the original principal amount of $5,000,000, which Intercompany Note shall be in form and substance satisfactory to the Agent.

(S)2. AMENDMENT TO SECTION 7 OF THE CREDIT AGREEMENT. Section 7 of the Credit Agreement is hereby amended as follows:

(a) Section 7.1(a)(viii) of the Credit Agreement is hereby amended by inserting immediately before the words "from time to time" the words "simultaneously with the Borrower making an acquisition which is permitted pursuant to (S)7.2(e) hereof, or incurring Indebtedness which is permitted to be incurred pursuant to (S)7.2(a), as the case may be, information evidencing the aggregate purchase price of all acquisitions made to date (including the contemplated acquisition), in the case of an acquisition, or information detailing the outstanding Indebtedness of the Borrower on such date (including the Indebtedness to be incurred), in the event of the incurrence of any Indebtedness, and, in addition,";

(b) Section 7.2(a) of the Credit Agreement is hereby amended by inserting immediately after the roman numeral (iv) the words "(a) Indebtedness of the Borrower to SalesLink in an aggregate principal amount not to exceed $5,000,000 pursuant to the SalesLink Intercompany Note; (b) Indebtedness of the Borrower to Robert Lee in an aggregate principal amount not to exceed $4,249,845 pursuant to the Lee Note; (c) Indebtedness of Blaxxun in an aggregate principal amount not to exceed (1) $1,000,000 pursuant to certain promissory notes dated prior to the date hereof from Blaxxun to CMG @ Ventures I, and ERM/EBIT; and (2) 6,400,000 DM pursuant to certain promissory notes dated prior to the date hereof from Blaxxun to Technologie-Beteiligungsgesellschaft der Deutschen Ausgleichsbank and Bayern Kapital; and (d)";

(c) Section 7.2(c)(iv) of the Credit Agreement is hereby amended by deleting the text of (S)7.2(c)(iv) in its entirety and restating it as follows: "(iv) Investments made by the Borrower in compliance with its Investment Policy, Investments consisting of acquisitions permitted by (S)7.2(e) hereof and an Investment by the Borrower in Open Market, Inc., provided such Investment is made on or prior to July 31, 1998 and is in an aggregate amount of not more than $5,000,000".

(d) Section 7.2(e) of the Credit Agreement is hereby amended by deleting (S)7.2(e) in its entirety and restating it as follows:

> (e) become party to a merger or sale-leaseback transaction, or to effect any disposition of assets other than in the ordinary course, and other than the sale of shares of a wholly-owned Subsidiary of the Borrower so long as the net cash proceeds of such sale received by the Borrower are equal to or greater than the carrying costs of the remaining shares of such Subsidiary after giving effect to such sale, or to purchase, lease or otherwise acquire assets other than in the ordinary course (with the parties hereto hereby acknowledging that minority Investments by the Borrower in CMG @ Ventures 1 and CMG @ Ventures II shall be considered acquisitions of assets in the ordinary course); provided, however, the Borrower shall be permitted to merge Accipiter, Inc. with and into Engage Technology, Inc. and shall be permitted to acquire assets and/or stock of another entity so long as (i) such entity is in the same or a similar line of business as the Borrower; (ii) other than in connection with the Accipter Acquisition and the Servercast Acquisition, the Borrower has provided the Bank with five (5) Business Days prior written notice of such acquisition, which notice shall include a reasonably detailed description of such acquisition; (iii) the business and/or entity to be acquired would not subject the Agent or any Bank to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or the other Loan Documents; (iv) other than in connection with the Accipiter Acquisition, the InSolutions Acquisition or the Servercast Acquisition, the Borrower has demonstrated to the satisfaction of the Agent and the Banks, based on a pro forma Compliance Certificate, compliance with (S)7.3 on a pro forma basis immediately prior to and after giving effect to

any such acquisition; (v) the business and assets so acquired in each such acquisition shall be acquired by the Borrower free and clear of all liens and Indebtedness; and (vi) the aggregate purchase price of all acquisitions permitted hereunder does not exceed the greater of (1) $11,000,000 and (2) the aggregate purchase price of each of the Accipiter Acquisition, the Servercast Acquisition, the InSolutions Acquisition and the OnDemand Acquisition during the term of this Agreement.

(S)3. AMENDMENT TO SCHEDULE 7.2(A). Schedule 7.2(a) of the Credit Agreement is hereby amended by deleting Schedule 7.2(a) in its entirety and replacing it with the Schedule 7.2(a) attached hereto.

(S)4. CONDITIONS TO EFFECTIVENESS. This Third Amendment shall not become effective until the Agent receives a counterpart of this Third Amendment, executed by the Borrower and the Banks.

(S)5. REPRESENTATIONS AND WARRANTIES. The Borrower hereby repeats, on and as of the date hereof, each of the representations and warranties made by it in (S)5 of the Credit Agreement, and such representations and warranties remain true as of the date hereof (except to the extent of changes resulting from transactions contemplated or permitted by the Credit Agreement and the other Loan Documents and changes occurring in the ordinary course of business that singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties relate expressly to an earlier date), provided, that all references therein to the Credit Agreement shall refer to such Credit Agreement as amended hereby. In addition, the Borrower hereby represents and warrants that the execution and delivery by the Borrower of this Third Amendment and the performance by the Borrower of all of its agreements and obligations under the Credit Agreement as amended hereby are within the corporate authority of each the Borrower and has been duly authorized by all necessary corporate action on the part of the Borrower.

(S)6. RATIFICATION, ETC. Except as expressly amended hereby, the Credit Agreement and all documents, instruments and agreements related thereto are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Credit Agreement and this Third Amendment shall be read and construed as a single agreement. All references in the Credit Agreement or any related agreement or instrument to the Credit Agreement shall hereafter refer to the Credit Agreement as amended hereby.

(S)7. NO WAIVER. Nothing contained herein shall constitute a waiver of, impair or otherwise affect any Obligations, any other obligation of the Borrower or any rights of the Agent or the Banks consequent thereon.

(S)8. COUNTERPARTS. This Third Amendment may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

(S)9. GOVERNING LAW. THIS THIRD AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment as a document under seal as of the date first above written.

CMG INFORMATION SERVICES, INC.

By:

Title:

BANKBOSTON, N.A.

By:

Title:

EXHIBIT 10.36

FOURTH AMENDMENT
TO
REVOLVING CREDIT AGREEMENT

Fourth Amendment dated as of August 14, 1998 to Revolving Credit Agreement (the "Fourth Amendment"), by and among CMG INFORMATION SERVICES, INC., a Delaware corporation (the "Borrower"), BANKBOSTON, N.A. (FORMERLY KNOWN AS THE FIRST NATIONAL BANK OF BOSTON) and the other lending institutions listed on Schedule 1 to the Credit Agreement (as hereinafter defined) (the "Banks"),
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amending certain provisions of Revolving Credit Agreement dated as of May 14, 1997 (as amended and in effect from time to time, the "Credit Agreement") by and among the Borrower, the Banks and BankBoston, N.A. as agent for the Banks (the "Agent"). Terms not otherwise defined herein which are defined in the Credit Agreement shall have the same respective meanings herein as therein.

WHEREAS, the Borrower and the Banks have agreed to modify certain terms and conditions of the Credit Agreement as specifically set forth in this Fourth Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

(S)1. AMENDMENT TO SECTION 1 OF THE CREDIT AGREEMENT. Section 1 of the
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Credit Agreement is hereby amended by deleting the date "August 14, 1998" which appears in the definition of "Revolving Credit Loan Maturity Date" and substituting in place thereof the date "August 13, 1999".

(S)2. AMENDMENT TO SECTION 7 OF THE CREDIT AGREEMENT. Section 7.2(e) of
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the Credit Agreement is hereby amended as follows:

(e) become party to a merger or sale-leaseback transaction, or to effect any disposition of assets other than in the ordinary course, and other than the sale of shares of a wholly-owned Subsidiary of the Borrower so long as the net cash proceeds of such sale received by the Borrower are equal to or greater than the carrying costs of the remaining shares of such Subsidiary after giving effect to such sale, or to purchase, lease or otherwise acquire assets other than in the ordinary course (with the parties hereto hereby acknowledging that minority Investments by the Borrower in CMG @ Ventures 1, CMG @ Ventures II and CMG @ Ventures III, L.P. shall be considered acquisitions of assets in the ordinary course); provided, however, the Borrower shall be permitted to (1) merge Accipiter,
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Inc. with and into Engage Technology, Inc.; (2) sell or otherwise transfer the shares of the capital stock of each of InSolutions Incorporated and On-Demand Solutions, Inc. to SalesLink; and (3) acquire assets and/or stock of another entity so long as (i) such entity is in the same or a similar line of business as the Borrower; (ii) other than in connection with the Accipiter Acquisition and the Servercast Acquisition, the Borrower has provided the Bank with five (5) Business Days prior written notice of such acquisition, which notice shall include a reasonably detailed description of such acquisition; (iii) the business and/or entity to be acquired would not subject the Agent or any Bank to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or the other Loan Documents; (iv) other than in connection with the Accipiter Acquisition, the InSolutions

Acquisition or the Servercast Acquisition, the Borrower has demonstrated to the satisfaction of the Agent and the Banks, based on a pro forma Compliance Certificate, compliance with (S)7.3 on a pro forma basis immediately prior to and after giving effect to any such acquisition; (v) the business and assets so acquired in each such acquisition shall be acquired by the Borrower free and clear of all liens and Indebtedness, except those expressly permitted by the Agent pursuant to that certain consent letter dated as of July 31, 1998 pertaining to the OnDemand Acquisition; and (vi) the aggregate purchase price of all acquisitions permitted hereunder does not exceed the greater of (1) $11,000,000 and (2) the aggregate purchase price of each of the Accipiter Acquisition, the Servercast Acquisition, the InSolutions Acquisition and the OnDemand Acquisition during the term of this Agreement.

(S)3. AMENDMENT TO SCHEDULE 1 OF THE CREDIT AGREEMENT. Schedule 1 of the Credit Agreement are each hereby amended by deleting Schedule 1 in its entirety and substituting in place thereof Schedule 1 attached hereto.

(S)4. AMENDMENT TO JULY 31, 1998 CONSENT LETTER. The letter dated as of July 31, 1998 from the Agent and the Banks to the Borrower consenting to the OnDemand Acquisition is hereby amended by deleting the reference to "thirty (30) days" which appears in subparagraphs (e) and (f) of such letter and substituting in place thereof a reference to "sixty (60) days".

(S)5. CONDITIONS TO EFFECTIVENESS. This Fourth Amendment shall not become effective until the Agent receives a counterpart of this Fourth Amendment, executed by the Borrower and the Banks.

(S)6. REPRESENTATIONS AND WARRANTIES. The Borrower hereby repeats, on and as of the date hereof, each of the representations and warranties made by it in (S)5 of the Credit Agreement, and such representations and warranties remain true as of the date hereof (except to the extent of changes resulting from transactions contemplated or permitted by the Credit Agreement and the other Loan Documents and changes occurring in the ordinary course of business that singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties relate expressly to an earlier date), provided, that all references therein to the Credit Agreement shall refer to such Credit Agreement as amended hereby. In addition, the Borrower hereby represents and warrants that the execution and delivery by the Borrower of this Fourth Amendment and the performance by the Borrower of all of its agreements and obligations under the Credit Agreement as amended hereby are within the corporate authority of each the Borrower and has been duly authorized by all necessary corporate action on the part of the Borrower.

(S)7. RATIFICATION, ETC. Except as expressly amended hereby, the Credit Agreement and all documents, instruments and agreements related thereto are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Credit Agreement and this Fourth Amendment shall be read and construed as a single agreement. All references in the Credit Agreement or any related agreement or instrument to the Credit Agreement shall hereafter refer to the Credit Agreement as amended hereby.

(S)8. NO WAIVER. Nothing contained herein shall constitute a waiver of, impair or otherwise affect any Obligations, any other obligation of the Borrower or any rights of the Agent or the Banks consequent thereon.

(S)9. COUNTERPARTS. This Fourth Amendment may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

(S)10. GOVERNING LAW. THIS FOURTH AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amendment as a document under seal as of the date first above written.

CMG INFORMATION SERVICES, INC.

By:

Title:

BANKBOSTON, N.A.

By:

Title:

SCHEDULE 1

BANKS/COMMITMENTS

Banks	Revolving Credit Loan Commitment	Commitment Percentage of Revolving Credit Loans
BANKBOSTON, N.A. Domestic Lending Office: 100 Federal Street, 01-08-06 Boston, Massachusetts 02110 Attn: High Technology Division Eurodollar Lending Office: Same as above	$5,000,000	100%
Totals:	$5,000,000	100%

EXHIBIT 10.37

FIFTH AMENDMENT
TO
REVOLVING CREDIT AGREEMENT

Fifth Amendment dated as of September 30, 1998 to Revolving Credit Agreement (the "Fifth Amendment"), by and among CMG INFORMATION SERVICES, INC., a Delaware corporation (the "Borrower"), BANKBOSTON, N.A. (FORMERLY KNOWN AS THE FIRST NATIONAL BANK OF BOSTON) and the other lending institutions listed on Schedule 1 to the Credit Agreement (as hereinafter defined) (the "Banks"),
amending certain provisions of Revolving Credit Agreement dated as of May 14, 1997 (as amended and in effect from time to time, the "Credit Agreement") by and among the Borrower, the Banks and BankBoston, N.A. as agent for the Banks (the "Agent"). Terms not otherwise defined herein which are defined in the Credit Agreement shall have the same respective meanings herein as therein.

WHEREAS, the Borrower and the Banks have agreed to modify certain terms and conditions of the Credit Agreement as specifically set forth in this Fifth Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

(S)1. AMENDMENT TO SECTION 1 OF THE CREDIT AGREEMENT. Section 1 of the Credit Agreement is hereby amended by inserting the following definition in the appropriate alphabetical order:

Hollywood Entertainment Acquisition. The acquisition by the Borrower of approximately 2,327,934 shares of the capital stock of Hollywood Entertainment Corporation for a cash purchase price of approximately $13.50 per share for a total cash consideration of not more than $31,623,020.20, with the terms of such acquisition all to be on substantially the terms and conditions contained in the Stock Purchase Agreement dated July 30, 1998 among Hollywood Entertainment Corporation, the Borrower and certain other parties thereto, as amended and the Transfer Agreement dated on or about October 1, 1998 among Scott Beck, the Borrower and certain other parties thereto and satisfactory to the Agent.

(S)2. AMENDMENT TO SECTION 7 OF THE CREDIT AGREEMENT. Section 7 of the Credit Agreement is hereby amended as follows:

(a) Section 7.2(c)(iv) of the Credit Agreement is hereby amended by deleting the text of (S)7.2(c)(iv) in its entirety and restating it as follows: "(iv) Investments made by the Borrower in compliance with its Investment Policy, Investments consisting of acquisitions permitted by (S)7.2(e) hereof, the Investment by the Borrower in Open Market, Inc. provided such Investment is made on or prior to July 31, 1998 and is in the aggregate amount of not more than $5,000,000 and the Investment made by the Borrower on or about July 16, 1998 in Magnitude Network, LLC provided such Investment is in the aggregate amount of not more than $500,000."

(b) Section 7.2(e) of the Credit Agreement is hereby amended by deleting (S)7.2(e) in its entirety and restating it as follows:

(e) become party to a merger or sale-leaseback transaction, or to effect any disposition of assets other than in the ordinary course, and other than the sale of shares of a wholly-owned Subsidiary of the Borrower so long as the net cash proceeds of such sale received by the Borrower are equal to or greater than the carrying costs of the remaining shares of such Subsidiary after giving effect to such sale, or to purchase, lease or otherwise acquire assets other than in the ordinary course (with the parties hereto hereby acknowledging that minority Investments by the Borrower in CMG @ Ventures 1, CMG @ Ventures II and CMG @ Ventures III, L.P. shall be considered acquisitions of assets in the ordinary course); provided, however, the Borrower shall be permitted to (1) merge Accipiter, Inc. with and into Engage Technology, Inc.; (2) sell or otherwise transfer the shares of the capital stock of each of InSolutions Incorporated and On-Demand Solutions, Inc. to SalesLink; and (3) acquire assets and/or stock of another entity so long as (i) such entity is in the same or a similar line of business as the Borrower; (ii) other than in connection with the Accipiter Acquisition and the Servercast Acquisition, the Borrower has provided the Bank with five (5) Business Days prior written notice of such acquisition, which notice shall include a reasonably detailed description of such acquisition; (iii) the business and/or entity to be acquired would not subject the Agent or any Bank to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or the other Loan Documents; (iv) other than in connection with the Accipiter Acquisition, the InSolutions Acquisition or the Servercast Acquisition, the Borrower has demonstrated to the satisfaction of the Agent and the Banks, based on a pro forma Compliance Certificate, compliance with (S)7.3 on a pro forma basis immediately prior to and after giving effect to any such acquisition; (v) the business and assets so acquired in each such acquisition shall be acquired by the Borrower free and clear of all liens and Indebtedness, except those expressly permitted by the Agent pursuant to that certain consent letter dated as of July 31, 1998 pertaining to the OnDemand Acquisition; and (vi) the aggregate purchase price of all acquisitions permitted hereunder does not exceed the greater of (1) $11,000,000 and (2) the aggregate purchase price of each of the Accipiter Acquisition, the Servercast Acquisition, the InSolutions Acquisition, the OnDemand Acquisition and the Hollywood Entertainment Acquisition during the term of this Agreement.

(S)3. AMENDMENT TO JULY 31, 1998 CONSENT LETTER. The letter dated as of July 31, 1998 from the Agent and the Banks to the Borrower consenting to the OnDemand Acquisition is hereby amended by deleting the reference to "sixty (60) days" which appears in subparagraphs (e) and (f) of such letter and substituting in place thereof a reference to "ninety (90) days".

(S)4. LIMITED WAIVER. The Agent and the Banks hereby waive as of the date hereof, to the limited extent necessary to permit any noncompliance for the period of July 16, 1998 through the date hereof, any Default or Event of Default of (S)7.2(c)(iv) of the Credit Agreement which occurred as a result of the Borrower's $500,000 Investment on or about July 16, 1998 in Magnitude Network, LLC.

(S)5. CONDITIONS TO EFFECTIVENESS. This Fifth Amendment shall not become effective until the Agent receives a counterpart of this Fifth Amendment, executed by the Borrower and the Banks.

(S)6. REPRESENTATIONS AND WARRANTIES. The Borrower hereby repeats, on and as of the date hereof, each of the representations and warranties made by it in (S)5 of the Credit Agreement, and such representations and warranties remain true as of the date hereof (except to the extent of changes resulting from transactions contemplated or permitted by the Credit Agreement and the other Loan Documents and

changes occurring in the ordinary course of business that singly or in the aggregate are not materially adverse, and to the extent that such representations and warranties relate expressly to an earlier date), provided, that all references therein to the Credit Agreement shall refer to
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such Credit Agreement as amended hereby. In addition, the Borrower hereby represents and warrants that the execution and delivery by the Borrower of this Fifth Amendment and the performance by the Borrower of all of its agreements and obligations under the Credit Agreement as amended hereby are within the corporate authority of each the Borrower and has been duly authorized by all necessary corporate action on the part of the Borrower.

(S)7. RATIFICATION, ETC. Except as expressly amended hereby, the Credit
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Agreement and all documents, instruments and agreements related thereto are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Credit Agreement and this Fifth Amendment shall be read and construed as a single agreement. All references in the Credit Agreement or any related agreement or instrument to the Credit Agreement shall hereafter refer to the Credit Agreement as amended hereby.

(S)8. NO WAIVER. Nothing contained herein shall constitute a waiver of,
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impair or otherwise affect any Obligations, any other obligation of the Borrower or any rights of the Agent or the Banks consequent thereon.

(S)9. COUNTERPARTS. This Fifth Amendment may be executed in one or more
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counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

(S)10. GOVERNING LAW. THIS FIFTH AMENDMENT SHALL BE GOVERNED BY, AND

CONSTRUED IN ACCORDANCE WITH, THE LAWS OF COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

IN WITNESS WHEREOF, the parties hereto have executed this Fifth Amendment as a document under seal as of the date first above written.

CMG INFORMATION SERVICES, INC.

By:

Title:

BANKBOSTON, N.A.

By:

Title:

EXHIBIT 10.57

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AMENDED AND RESTATED

REVOLVING CREDIT AND TERM LOAN AGREEMENT

Dated as of June 11, 1998

among

SALESLINK CORPORATION,
INSOLUTIONS INCORPORATED,
PACIFIC DIRECT MARKETING CORP.

BANKBOSTON, N.A.
AND THE OTHER LENDING
INSTITUTIONS SET FORTH ON SCHEDULE 1 HERETO

and

BANKBOSTON, N.A. as Agent

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AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT

This AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT (this "Agreement") is made as of June 11, 1998, by and among (a) SALESLINK CORPORATION ("SalesLink"), a Delaware corporation having its principal place of business at 25 Drydock Avenue, Boston, Massachusetts 02210, (b) INSOLUTIONS INCORPORATED ("InSolutions" and, collectively with SalesLink, the "Borrowers" and each individually, a "Borrower"), a Delaware corporation having its principal place of business at 2940 Kifer Road, Santa Clara, CA 95051, (c) PACIFIC DIRECT MARKETING CORP. ("Pacific Direct"), a California corporation having its principal place of business at 8356 Thornton Avenue, Newark, California 94520, (d) BANKBOSTON, N.A. (FORMERLY KNOWN AS THE FIRST NATIONAL BANK OF BOSTON), a national banking association, and the other lending institutions listed on Schedule 1 hereto and (e) BANKBOSTON, N.A. as agent for itself and such other lending institutions.

WHEREAS, pursuant to a Revolving Credit and Term Loan Agreement dated as of October 24, 1996 (as amended from time to time, the "Original Credit Agreement") by and among SalesLink, the Parent (as hereinafter defined), certain of the Banks (as hereinafter defined) and the Agent, the lenders party thereto made loans available to SalesLink for, among other things, financing a portion of the acquisition of Pacific Direct and for general corporate and working capital purposes; and

WHEREAS, SalesLink has requested, among other things, to amend and restate the Original Credit Agreement and to provide additional financing, to refinance certain Indebtedness (as hereinafter defined) and to provide funds for working capital and general corporate purposes, and the Banks are willing to amend and restate the Original Credit Agreement and to provide such additional financing on the terms and conditions set forth herein;

NOW, THEREFORE, the Borrowers, the Banks and the Agent agree that on and as of the Closing Date (as hereinafter defined) the Original Credit Agreement is hereby amended and restated in its entirety and shall remain in full force and effect only as expressly set forth herein.

1. DEFINITIONS AND RULES OF INTERPRETATION:

1.1 DEFINITIONS: Certain capitalized terms are defined below:

Accounts: All rights of the Borrowers or any of their Subsidiaries to any payment of money for goods sold, leased or otherwise marketed in the ordinary course of business, whether evidenced by or under or in respect of a contract or instrument, and to all proceeds in respect thereof.

Acquisition: The acquisition by the Parent on the Acquisition Closing Date of all of the outstanding shares of capital stock of InSolutions pursuant to the Acquisition Documents.

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

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

Adjustment Date: The first day of the month immediately following the month in which a Compliance Certificate is to be delivered by the Borrowers to the Agent pursuant to (S)9.1(a)(iv).

Affiliate: Any Person that would be considered an affiliate of any Borrower under Rule 144(a) of the Rules and Regulations of the Securities and Exchange Commission, as in effect on the date hereof, if such Borrower were issuing securities.

Agent: BankBoston, N.A., acting as agent for the Banks.

Agent's Head Office: The Agent's head office located at 100 Federal Street, Boston, Massachusetts 02110, or at such other location as the Agent may designate from time to time.

Agreement: See the preamble, which term shall include this Agreement and the Schedules and Exhibits hereto, all as amended and in effect from time to time.

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

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

Notwithstanding the foregoing, (a) for Loans outstanding during the period commencing on the Closing Date through the date immediately preceding the first Adjustment Date to occur after the fiscal quarter ending July 31, 1998, the Applicable Margin shall be at the highest level set forth above and (b) if the Borrowers fail to deliver any Compliance Certificate pursuant to (S)9.1(a)(iv) hereof, then, for the period commencing on the next Adjustment Date to occur subsequent to such failure through the date immediately following the date on which such Compliance Certificate is delivered, the Applicable Margin shall be the highest Applicable Margin set forth above.

Assignment and Acceptance: See (S)13.

Banks: BKB and the other lending institutions listed on Schedule 1 hereto and any other Person who becomes an assignee of any rights and obligations of a Bank pursuant to (S)13.

Base Rate: The higher of (a) the annual rate of interest announced from time to time by BKB at its head office as it's "base rate" and (b) one-half of one percent (1/2%) above the Federal Funds Effective Rate.

Base Rate Loans: Revolving Credit Loans and all or any portion of the Term Loan bearing interest calculated by reference to the Base Rate.

BKB: BankBoston, N.A., in its individual capacity.

Borrowers: See the preamble.

Borrowing Base: At the relevant time of reference thereto, an amount determined by the Agent by reference to the most recent Borrowing Base Report delivered to the Banks and the Agent pursuant to (S)9.1(a)(v), which is equal to 80% of Eligible Accounts Receivable for which invoices have been issued and are payable. The Agent may, in its discretion, from time to time, upon five (5) days' prior notice to the Borrowers, (a) reduce the lending formula with respect to Eligible Accounts Receivable to the extent that the Agent determines that: (i) the dilution with respect to the Accounts for any period has increased in any material respect or may be reasonably anticipated to increase in any material respect above historical levels, or (ii) the general creditworthiness of account debtors or other obligors of the Borrowers have declined. In determining whether to reduce the lending formula, the Agent may consider events, conditions, contingencies or risks which are also considered in determining Eligible Accounts Receivable.

Borrowing Base Report: A Borrowing Base Report signed by the chief financial officer of each Borrower and in form and substance acceptable to the Agent.

Business Day: Any day on which banking institutions in Boston, Massachusetts, are open for the conduct of a substantial part of its commercial

banking business generally and, in the case of LIBOR Rate Loans, also a day which is a LIBOR Business Day.

Capitalized Leases: Leases under which the Borrowers or any of their Subsidiaries are the Lessee or obligor, the discounted, future rental payment obligations under which are required to be capitalized on the combined balance sheet of the Borrowers and their Subsidiaries in accordance with GAAP.

Charter Documents: In respect of any entity, the certificate or articles of incorporation or organization and the by-laws of such entity, or other constitutive documents of such entity.

Closing Date: The first date on which the conditions set forth in (S)8 have been satisfied and any Revolving Credit Loans and the Term Loan are to be made or any Letter of Credit is to be issued hereunder.

Collateral: All of the property, rights and interests of the Borrowers and their Subsidiaries that are or are intended to be subject to the security interests and mortgages created by the Security Documents.

Combined or combined: With reference to any term defined herein, shall mean that term as applied to the accounts of the Borrowers and their Subsidiaries, combined in accordance with GAAP.

Combined Current Assets: All assets of the Borrowers and their Subsidiaries on a combined basis that in accordance with GAAP are properly classified as current assets, excluding bad debts and inventory not yet saleable.

Combined Current Liabilities: All liabilities of the Borrowers and their Subsidiaries on a combined basis payable on demand or maturing within one (1) year from the date as of which current liabilities are to be determined, and such other liabilities that in accordance with GAAP are properly classified as current liabilities; provided, however, for purposes of calculating compliance with (S)9.3(d) hereof, so long as (a) the Parent and the Borrowers file all required income tax returns pursuant to a consolidated federal income tax return and (b) the Parent is not obligated, on a consolidated basis, to make any cash federal income tax payments in the period of determination, Combined Current Liabilities shall exclude all accrued federal income tax liabilities for such period of determination.

Combined Net Income (or Deficit): The combined net income (or deficit) of the Borrowers and their Subsidiaries, after deduction of all expenses, taxes and other proper charges, determined in accordance with GAAP.

Combined Operating Cash Flow: For any Reference Period, the amount equal to (a) the EBITDA for such period, minus (b) cash payments for all taxes paid during such period, minus (c) capital expenditures made during such period to the extent permitted hereunder.

Combined Total Debt Service: For any Reference Period, all scheduled mandatory payment of principal on Indebtedness of the Borrowers and their Subsidiaries made or required to be made in that period, plus the Combined Total Interest Expense of the Borrowers and their Subsidiaries for that period.

Combined Total Interest Expense. For any period, the aggregate amount of interest required to be paid or accrued by the Borrowers and their Subsidiaries during such period on all Indebtedness of the Borrowers and their Subsidiaries outstanding during all or any part of such period, whether such interest was or is required to be reflected as an item of expense or capitalized, including payments consisting of interest in respect of Capitalized Leases and including commitment fees, agency fees, facility fees, balance deficiency fees and similar fees or expenses in connection with the borrowing of money.

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

Commitment Percentage: With respect to each Bank, the percentage set forth on Schedule 1 hereto as such Bank's percentage of the aggregate Commitments of all the Banks.

Compliance Certificate: See (S)9.1(a)(iv) hereof.

Consent: In respect of any person or entity, any permit, license or exemption from, approval, consent of, registration or filing with any local, state or federal governmental or regulatory agency or authority, required under applicable law.

Conversion Request: A notice by any Borrower to the Agent of such Borrower's election to convert or continue a Loan in accordance with (S)2.3 hereof.

Default: An event or act which with the giving of notice and/or the lapse of time, would become an Event of Default.

Domestic Lending Office: Initially, the office of each Bank designated as such in Schedule 1 hereto; thereafter, such other office of such Bank, if any, located within the United States that will be making or maintaining Base Rate Loans.

Drawdown Date: The date on which any Revolving Credit Loan or the Term Loan is made or is to be made, and the date on which any Revolving Credit Loan is converted or continued in accordance with (S)2.3 or all or any portion of the Term Loan is converted or continued in accordance with (S)3.5.

EBITDA: With respect to any fiscal period, an amount equal to the sum of (a) Combined Net Income for such period, plus (b) to the extent deducted in the calculation of such Person's Combined Net Income and without duplication, (i) depreciation and amortization for such period, plus (ii) other noncash charges, including, without limitation, in process research and development expenses or

charges, made in calculating Combined Net Income for such period, plus (iii) tax expense for such period, plus (iv) Combined Total Interest Expense paid or accrued during such period, all as determined in accordance with GAAP.

Eligible Accounts Receivable: The aggregate of the unpaid portions of Accounts (net of any credits, rebates, offsets, holdbacks or other adjustments or commissions payable to third parties that are adjustments to such Accounts) (a) that the Borrowers reasonably and in good faith determine to be collectible; (b) that are with account debtors or other obligors that (i) are not Affiliates of the Borrowers, (ii) purchased the goods or services giving rise to the relevant Account in an arm's length transaction, (iii) are not insolvent or involved in any case or proceeding, whether voluntary or involuntary, under any bankruptcy, reorganization, arrangement, insolvency, adjustment of debt, dissolution, liquidation or similar law of any jurisdiction and (iv) are, in the Agent's reasonable judgment, creditworthy; (c) that are in payment of obligations that have been fully performed, do not consist of progress billings or bill and hold invoices and are not subject to dispute or any other similar claims that would reduce the cash amount payable therefor; (d) that are not subject to any pledge, restriction, security interest or other lien or encumbrance other than those created by the Loan Documents; (e) in which the Agent has a valid and perfected first priority security interest; (f) that are not outstanding for more than ninety (90) days past the earlier to occur of (i) the date of the respective invoices therefor and (ii) the date of shipment thereof in the case of goods or the end of the calendar month following the provision thereof in the case of services; (g) that are not due from an account debtor or other obligor located in Minnesota unless the applicable Borrower (i) has received a certificate of authority to do business and is in good standing in such state or (ii) has filed a notice of business activities report with the appropriate office or agency of such state for the current year; (h) that are not due from any single account debtor or other obligor if more than thirty percent (30%) of the aggregate amount of all Accounts owing from such account debtor or other obligor would otherwise not be Eligible Accounts Receivable; (i) that are payable in Dollars; (j) that are not payable from an office outside of the United States; (k) that are not secured by a letter of credito unless the Agent has a prior, perfected security interest in such letter of credit; and (i) to the extent the account debtor on such Account is Cisco, are not more than 25% of the aggregate amount of all Accounts..

Eligible Assignee: Any of (a) a commercial bank or finance company organized under the laws of the United States, or any State thereof or the District of Columbia, and having total assets in excess of $1,000,000,000; (b) a savings and loan association or savings bank organized under the laws of the Untied States, or any State thereof or the District of Columbia, and having a net worth of at least $100,000,000, calculated in accordance with GAAP; (c) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the "OECD"), or a political subdivision of any such country, and having total assets in excess of $1,000,000,000, provided, that such bank is acting through a branch or agency located in the country in which it is organized or another country

which is also a member of the OECD; (d) the central bank of any country which is a member of the OECD; and (e) if, but only if, any Event of Default has occurred and is continuing, any other bank, insurance company, commercial finance company or other financial institution or other Person approved by the Agent, such approval not to be unreasonably withheld.

Environmental Laws: All laws pertaining to environmental matters, including without limitation, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, in each case as amended, and all rules, regulations, judgments, decrees, orders and licenses arising under all such laws.

ERISA: The Employee Retirement Income Security Act of 1974, as amended, and all rules, regulations, judgments, decrees, and orders arising thereunder.

Eurocurrency Reserve Rate: For any day with respect to a LIBOR Rate Loan, the maximum rate (expressed as a decimal) at which any lender subject thereto would be required to maintain reserves under Regulation D of the Board of Governors of the Federal Reserve System (or any successor or similar regulations relating to such reserve requirements) against "Eurocurrency Liabilities" (as that term is used in Regulation D), if such liabilities were outstanding. The Eurocurrency Reserve Rate shall be adjusted automatically on and as of the effective date of any change in the Eurocurrency Reserve Rate.

Event of Default: Any of the events listed in (S)10 hereof.

Federal Funds Effective Rate: For any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three funds brokers of recognized standing selected by the Agent.

Financials: In respect of any period, the combined balance sheet of the Borrower and their Subsidiaries as at the end of such period, and the related statement of income and combined statement of cash flow for such period, each setting forth in comparative form the figures for the previous comparable fiscal period, all in reasonable detail and prepared in accordance with GAAP.

GAAP: Generally accepted accounting principles consistent with those adopted by the Financial Accounting Standards Board and its predecessor, (a) generally, as in effect from time to time, and (b) for purposes of determining compliance by the Borrowers with their financial covenants set forth herein, as

in effect for the fiscal year therein reported in the most recent Financials submitted to the Agent prior to execution of this Agreement.

Guarantors: Each Subsidiary of any Borrower existing on the Closing Date and each other Person which is required to be or become guarantors from time to time pursuant to (S)9.1(h) hereof.

Guaranty: Collectively, (a) the Amended and Restated Guaranty, dated or to be dated on or prior to the Closing Date, made by Pacific Direct in favor of the Banks and the Agent pursuant to which Pacific Direct guaranties to the Banks and the Agent the payment and performance of the Obligations in form and substance satisfactory to the Banks and the Agent and (b) any other guaranty dated subsequent to the Closing Date made by any other Guarantor in favor of the Banks and the Agent pursuant to which each Guarantor guaranties to the Banks and the Agent the payment and performance of the Obligations in form and substance satisfactory to the Banks and the Agent.

Indebtedness: In respect of any entity, all obligations, contingent and otherwise, that in accordance with GAAP should be classified upon the obligor's balance sheet as liabilities, or to which reference should be made by footnotes thereto, including in any event and whether or not so classified, but without duplication with respect liabilities under swap arrangements where the underlying obligation appears on the balance sheet of such entity: (a) all debt and similar monetary obligations, whether direct or indirect, (b) all liabilities secured by Liens, whether or not the liability secured thereby shall have been assumed, (c) all guarantees, endorsements and other contingent obligations whether direct or indirect in respect of indebtedness of others, including any obligation to supply funds to or in any manner to invest in, directly or indirectly, the debtor, to purchase indebtedness, or to assure the owner of indebtedness against loss, through an agreement to purchase goods, supplies or services for the purpose of enabling the debtor to make payment of the indebtedness held by such owner or otherwise and (d) all liabilities in respect of bankers' acceptances or letters of credit.

Interest Payment Date: (a) As to any Base Rate Loan, the last day of the calendar month which includes the Drawdown Date thereof; and (b) as to any LIBOR Rate Loan in respect of which the Interest Period is (i) ninety (90) days or less, the last day of such Interest Period and (ii) more than ninety (90) days, the date that is ninety (90) days from the first day of such Interest Period and, in addition, the last day of such Interest Period.

Interest Period: With respect to each Revolving Credit Loan or all or any relevant portion of the Term Loan, (a) initially, the period commencing on the Drawdown Date of such Loan and ending on the last day of one of the periods set forth below, as selected by the Borrowers in a Loan Request (i) for any Base Rate Loans, the last day of the calendar month; and (ii) for any LIBOR Rate Loan, 1, 2, 3, or 6 months; and (b) thereafter each period commencing on the last day of the immediately preceding Interest Period applicable to such Loan and ending

on the last day of one of the periods set forth above, as selected by the Borrowers in a Conversion Request; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(a) if any Interest Period with respect to a LIBOR Rate Loan would otherwise end on a day that is not a LIBOR Business Day, that Interest Period shall be extended to the next succeeding LIBOR Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding LIBOR Business Day;

(b) if any Interest Period with respect to a Base Rate Loan would end on a day that is not a Business Day, that Interest Period shall end on the next succeeding Business Day;

(c) If the Borrowers shall fail to give notice as provided in (S)2.3, the Borrowers shall be deemed to have requested a conversion of the affected LIBOR Rate Loan to a Base Rate Loan and the continuance of all Base Rate Loans as Base Rate Loans on the last day of the then current Interest Period with respect thereto;

(d) any Interest Period relating to any LIBOR Rate Loan that begins on the last LIBOR Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last LIBOR Business Day of a calendar month; and

(e) any Interest period relating to any LIBOR Rate Loan that would otherwise extend beyond the Revolving Credit Loan Maturity Date (if comprising a Revolving Credit Loan) or the Term Loan Maturity Date (if comprising the Term Loan or a portion thereof) shall end on the Revolving Credit Loan Maturity Date or, as the case may be, the Term Loan Maturity Date.

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

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

Letter of Credit Fee: See (S)4.7.

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

Leverage Ratio: As at any date of determination, the ratio of (a) Total Funded Indebtedness of the Borrowers and their Subsidiaries outstanding on such date to (b) the EBITDA of the Borrowers and their Subsidiaries for the Reference Period ending on such date.

LIBOR Business Day: Any day on which commercial banks are open for international business (including dealings in U.S. dollar deposits) in London or

such other eurodollar interbank market as may be selected by the Agent in its sole discretion acting in good faith.

LIBOR Lending Office: Initially, the office of each Bank designated as such in Schedule 1 hereto; thereafter, such other office of such Bank, if any, that shall be making or maintaining LIBOR Rate Loans.

LIBOR Rate: For any Interest Period with respect to a LIBOR Rate Loan, the rate of interest equal to (a) the rate determined by the Agent at which U.S. dollar deposits for such Interest Period are offered based on information presented on Telerate Page 3750 (or any successor publication or source selected by the Bank in its reasonable discretion) at 11:00 a.m. (London time) on the second LIBOR Business Day, prior to the first day of such Interest Period, divided by (b) a number equal to 1.00 minus the Eurocurrency Reserve Rate, if applicable.

LIBOR Rate Loans: Revolving Credit Loans and all or any portion of the Term Loan bearing interest calculated by reference to the LIBOR Rate.

Liens: Any encumbrance, mortgage, pledge, hypothecation, charge, restriction or other security interest of any kind securing any obligation of any entity or person.

Loan Documents: This Agreement, the Notes, the Letter of Credit Applications, the Letters of Credit and the Security Documents, in each case as from time to time amended or supplemented.

Loan Request: See (S)2.1.

Loans: The Revolving Credit Loans and the Term Loan.

Majority Banks: As of any date, (a) if there are only two (2) Banks, Majority Banks shall mean all the Banks, and (b) if there are three (3) or more Banks the Banks whose aggregate Commitments constitute at least sixty six and two thirds percent (66 2/3%) of the Total Commitment.

Materially Adverse Effect: Any materially adverse effect on the financial condition or business operations of the Borrowers and their Subsidiaries taken together or material impairment of the ability of the Borrowers or any of their Subsidiaries to perform its obligations hereunder or under any of the other Loan Documents.

Maximum Drawing Amount: The maximum aggregate amount from time to time that the beneficiary may draw under the outstanding Letters of Credit, as such aggregate amount may be reduced from time to time pursuant to the terms of the Letters of Credit.

Merger Agreement: The Agreement and Plan of Merger dated as of June 15, 1998 among the Parent, CMG-InSolutions Merger Corporation, InSolutions

Incorporated and the shareholders of InSolutions Corporation identified therein, together with all schedules, exhibits and annexes thereto.

Notes: The Term Notes and the Revolving Credit Notes.

Obligations: All indebtedness, obligations and liabilities of the Borrowers and their Subsidiaries to any of the Banks and the Agent, existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, arising or incurred under this Agreement or any other Loan Document or in respect of any of the Loans made or Reimbursement Obligations incurred or any of the Notes, Letter of Credit Applications, Letters of Credit, or arising or incurred in connection with any interest rate protection arrangements contemplated by (S)9.1(g) or any documents, agreements or instruments executed in connection therewith, or other instruments at any time evidencing any thereof.

Parent: CMG Informations Services Inc, a Delaware corporation, and the parent corporation of each of the Borrowers.

Perfection Certificates: Each of the Perfection Certificates of the Borrowers and the Guarantors as defined in the Security Agreements.

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

Rate Adjustment Period: See the definition of Applicable Margin.

Record: See (S)3.2 hereof.

Reference Period: The period of (a) four (4) consecutive fiscal quarters of SalesLink ending on the relevant date or (b) until four (4) full fiscal quarters of SalesLink have elapsed after April 30, 1998, such shorter period of one (1), two (2) or three (3) full fiscal quarters elapsed since April 30, 1998, with the relevant amount applicable to such shorter period annualized for the period of four (4) consecutive fiscal quarters for which the applicable covenant or test calculation is being performed by multiplying such relevant amount by a fraction whose numerator is four (4) and whose denominator is such actual number of elapsed full fiscal quarters.

Reimbursement Obligation: The Borrowers' joint and several obligation to reimburse the Agent and the Banks on account of any drawing under any Letter of Credit as provided in (S)4.2.

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

Restricted Payment: In relation to any Borrower and its Subsidiaries, any (a) Distribution; and (b) payment by such Borrower or any of its Subsidiaries to the Parent or any Affiliate of the Parent or such Borrower or its Subsidiaries other than payments to any such Affiliates for goods and services in the ordinary course of business on terms equivalent to those obtainable in arms length transactions.

Revolving Credit Loan Commitment: With respect to each Bank, the amount set forth on Schedule 1 hereto as the amount of such Bank's commitment to make Revolving Credit Loans to, and to participate in the issuance, extention and renewal of Letters of Credit for the account of the Borrowers, as the same may be reduced from time to time or terminated hereunder.

Revolving Credit Loan Maturity Date: November 11, 2002.

Revolving Credit Loans: Revolving credit loans made or to be made by the Banks to the Borrowers pursuant to (S)2 hereof.

Revolving Credit Note: See (S)2.2(d) hereof.

Security Agreements: Collectively, (a) the Amended and Restated Security Agreement, dated or to be dated on or prior to the Closing Date, among the Borrowers and the Agent and in form and substance satisfactory to the Agent; and (b) the Amended and Restated Security Agreement, dated or to be dated on or prior to the Closing Date, between Pacific Direct and the Agent, and in form and substance satisfactory to the Agent, and as each Security Agreement may be amended, restated, modified and/or supplemented from time to time.

Security Documents: Collectively, the Security Agreements, each Guaranty, the Trademark Agreements and the Stock Pledge Agreement.

Seller: Each of the Shareholders (as such term is defined in the Merger Agreement) set forth on the signature page to the Merger Agreement.

Seller Note: The unsecured promissory note from the Parent to Robert Lee in the original principal amount of $4,249,845 issued pursuant to the Acquisition, which promissory note shall be in form and substance satisfactory to the Banks and the Agent.

Stock Pledge Agreement. The Amended and Restated Stock Pledge Agreement dated or to be dated on or prior to the Closing Date between SalesLink and the Agent and in form and substance satisfactory to the Banks and the Agent.

Subsidiary: In respect of any Person, any business entity of which such Person at any time owns or controls directly or indirectly more than fifty percent (50%) of the outstanding shares of stock having voting power, regardless of whether such right to vote depends upon the occurrence of a contingency.

Term Loan: The term loan made or to be made by the Banks to the Borrowers on the Closing Date in the aggregate principal amount of $15,500,000 pursuant to (S)3 hereof.

Term Loan Commitment: With respect to each Bank, the amount set forth on Schedule 1 hereto as the amount of such Bank's commitment to make the Term Loan to the Borrowers on the Closing Date.

Term Loan Maturity Date: November 11, 2002.

Term Note: See (S)3.2 hereof.

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

Total Revolving Credit Commitment: The sum of the Revolving Credit Commitments of the Banks, as in effect from time to time. As of the Closing Date the Total Revolving Credit Commitment is $8,000,000.

Total Funded Indebtedness: All Indebtedness of the Borrowers and their Subsidiaries for borrowed money, purchase money Indebtedness and with respect to Capitalized Leases, determined on a combined basis in accordance with GAAP.

Trademark Agreement. Collectively, (a) the Amended and Restated Trademark Collateral Security and Pledge Agreement, dated or to be dated on or prior to the Closing Date, between SalesLink and the Agent and in form and substance satisfactory to the agent, and as such Trademark Agreement may be amended, restated, modified and/or supplemented from time to time and (b) the Trademark Collateral Security and Pledge Agreement, dated or to be dated on or prior to the Closing Date, between InSolutions and the Agent and in form and substance satisfactory to the agent, and as such Trademark Agreement may be amended, restated, modified and/or supplemented from time to time.

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

Unpaid Reimbursement Obligation: Any Reimbursement Obligation for which any Borrower or the Parent, as the case may be, does not reimburse the Agent and the Banks on the date specified in, and in accordance with, (S)3.2(a).

1.2. RULES OF INTERPRETATION. For purposes of this Agreement, the parties hereto hereby acknowledge and agree that when a reference is made to any fiscal year, fiscal quarter, fiscal month or any other such period, until such time as InSolutions changes its fiscal year to be identical to that of SalesLink, such term shall mean the fiscal year, fiscal quarter and fiscal month of

SalesLink, and shall include the relevant information of InSolutions for those identical months, quarter or twelve month period, regardless of the actual fiscal year of InSolutions. For example, a reference to the Combined Current Assets of the Borrowers for the fiscal quarter ended July 31, 1998 shall mean the current assets of SalesLink and it Subsidiaries for its period of April 1, 1998 through July 31, 1998, and the current assets of InSolutions and its Subsidiaries for the three month period of April 1, 1998 through July 31, 1998.

2. REVOLVING CREDIT FACILITY.

2.1. COMMITMENT TO LEND. Upon the terms and subject to the conditions of this Agreement, each of the Banks severally agrees to lend to the Borrowers such sums that the Borrowers may request, from the Closing Date until but not including the Revolving Credit Loan Maturity Date, up to a maximum aggregate amount outstanding (after giving effect to all amounts requested) at any one time equal to such Bank's Revolving Credit Loan Commitment minus such Bank's Commitment Percentage of the sum of the Maximum Drawing Amount and all Unpaid Reimbursement Obligations pertaining to Letters of Credit, provided that the sum of the outstanding amount of the Revolving Credit Loans (after giving effect to all amounts requested) plus the Maximum Drawing Amount and all Unpaid Reimbursement Obligations pertaining to all Letters of Credit shall not at any time exceed the lesser of (a) Total Revolving Credit Commitment and (b) the Borrowing Base. Revolving Credit Loans shall be in the minimum aggregate amount of $100,000 or an integral multiple thereof.

2.2. REQUESTS FOR LOANS.

(a) SalesLink shall give to the Agent written notice in form and substance satisfactory to the Agent (or telephonic notice confirmed in writing in form and substance satisfactory to the Agent) of each Revolving Credit Loan being requested hereunder (a "Loan Request") (i) no later than 10:00 a.m. (Boston time) on the proposed Drawdown Date of any Base Rate Loan and (ii) no less than three (3) LIBOR Business Days prior to the proposed Drawdown Date of any LIBOR Rate Loan. Each such notice shall specify (A) the principal amount of the Revolving Credit Loan being requested, (B) the proposed Drawdown Date of such Revolving Credit Loan, (C) in the event the Revolving Credit Loan being requested is a LIBOR Rate Loan, the Interest Period for such Revolving Credit Loan and (D) whether such Revolving Credit Loan shall be a Base Rate Loan or a LIBOR Rate Loan. Promptly upon receipt of any such notice, the Agent shall notify each of the Banks thereof. Each Loan Request shall be irrevocable and binding upon the Borrowers and shall obligate the Borrowers to accept the Revolving Credit Loan requested from the Banks on the proposed Drawdown Date. Each Loan Request shall be in a minimum aggregate amount of $100,000 or an integral multiple thereof.

(b) Notwithstanding the notice requirements set forth in (S)2.2(a) and the minimum Revolving Credit Loan amount provisions contained in (S)2.1 and 2.2(a), Revolving Credit Loans may be made from time to time in the following manner: the Banks may make Revolving Credit Loans to the Borrowers by entry of credits by the Agent to the Borrowers' controlled disbursement account (the "Disbursement Account") with the Agent to cover checks and other charges which the Borrowers have drawn or made against such Disbursement Account. The Borrowers hereby request and authorize the Banks to make from time to time such Revolving Credit Loans by means of appropriate entries of such credits sufficient to cover checks and other charges then presented. The Borrowers and the Banks may also agree to effect such other controlled disbursement arrangements as may be mutually satisfactory. The Borrowers acknowledge and agree that the making of such Revolving Credit Loans in accordance with this (S)2.2(b) shall, in each case, be subject in all respects to the provisions of this Agreement as if they were Revolving Credit Loans covered by a Loan Request, including without limitation, the limitations set forth in (S)2.1 and the requirement that the applicable provisions of (S)8 be satisfied. All actions taken by the Agent and the Banks pursuant to the provisions of this (S)2.2(b) shall be conclusive and binding upon the Borrowers.

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

(d) The joint and several obligations of the Borrowers to repay to the Banks the principal of the Revolving Credit Loans and interest accrued thereon shall be evidenced by separate joint and several promissory notes (each a "Revolving Credit Note") dated as of the Closing Date and completed with appropriate insertions. One Revolving Credit Note shall be payable to the order of each Bank in a principal amount equal to such Bank's Revolving Credit Loan Commitment or, if less, the outstanding amount of all Revolving Credit Loans made by such Bank, plus interest accrued thereon, as set forth in (S)2.4 below.

2.3. CONVERSION OPTIONS.

2.3.1. CONVERSION TO DIFFERENT LOAN TYPE. The Borrowers may elect from time to time to convert any outstanding Revolving Credit Loan from a Base Rate Loan to a LIBOR Rate Loan or from a LIBOR Rate Loan to a Base Rate Loan, provided that (a) with respect to any such conversion of a LIBOR Rate Loan to a Base Rate Loan, the Borrowers shall give the Agent at least three (3) Business Day's prior written notice of such election; (b) with respect to any such conversion of a Base Rate Loan to a LIBOR Rate Loan, the Borrowers shall give the Agent at least three (3) LIBOR Business Days prior written notice of such election; (c) with respect to any such conversion of a LIBOR Rate Loan into a Base Rate Loan, such conversion shall only be made on the last day of the Interest Period with respect thereto; and (d) no Revolving Credit Loan may be converted into a LIBOR Rate Loan when any Default or Event of Default has occurred and is continuing. On the date on which such conversion is being made each Bank shall take such action as is necessary to transfer its Commitment Percentage of such Revolving Credit Loans to its Domestic Lending Office or its LIBOR Lending Office, as the case may be. All or any part of Revolving Credit Loans may be converted as provided herein, provided that any partial conversion shall be in an aggregate principal amount of $100,000 or a whole multiple thereof. Each Conversion Request relating to the conversion of a Base Rate Loan to a LIBOR Rate Loan shall be irrevocable by the Borrowers.

2.3.2. CONTINUATION OF LOAN TYPE. Any Base Rate Loan or LIBOR Rate Loan may be continued as such upon the expiration of an Interest Period with respect thereto by compliance by the Borrowers with the notice provisions contained in (S)2.3.1; provided that no LIBOR Rate Loan may be continued as such when any Default or Event of Default has occurred and is continuing, but shall be automatically converted to a Base Rate Loan on the last day of the first Interest Period relating thereto ending during the continuance of any Default or Event of Default of which officers of the Agent active upon the Borrowers' account have actual knowledge. In the event that the Borrowers fail to provide any such notice with respect to the continuation of any LIBOR Rate Loan as such, then such LIBOR Rate Loan shall be automatically converted to a Base Rate Loan on the last day of the first Interest Period relating thereto.

2.3.3. LIBOR RATE LOANS. Any conversion to or from LIBOR Rate Loans shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of all LIBOR Rate Loans having the same Interest Period shall not be less than $100,000 or a whole multiple thereof, and there shall not be more than three (3) outstanding Revolving Credit Loans which are LIBOR Rate Loans at any time.

2.4. INTEREST. So long as no Event of Default is continuing, and except as otherwise provided herein, (a) each Base Rate Loan shall bear interest for the period commencing with the Drawdown Date thereof and ending of the last day of the Interest Period with respect thereto at the rate per annum equal to the Base Rate plus the Applicable Margin; (b) each LIBOR Rate Loan shall bear interest for the period commencing with the Drawdown Date thereof and ending on the last day of the Interest Period with respect thereto at the rate per annum equal to the LIBOR Rate for such Interest Period plus the Applicable Margin; and (c) the Borrowers jointly and severally promise to pay interest on each Revolving Credit Loan in arrears on each Interest Payment Date with respect thereto. While an Event of Default is continuing, amounts payable under any of the Loan Documents shall bear interest (compounded monthly and payable on demand in respect of overdue amounts) at a rate per annum which is equal to the sum of (a) the Base Rate, and (b) four percent (4%) above the Margin until such amount is paid in full or (as the case may be) such Event of Default has been cured or waived in writing by the Majority Banks (after as well as before judgment).

2.5. REPAYMENTS AND PREPAYMENTS. The Borrowers hereby jointly and severally agree to pay to the Agent for the benefit of the Banks on the Revolving Credit Loan Maturity Date the entire unpaid principal of and interest on all Revolving Credit Loans. If at any time the outstanding amount of the Revolving Credit Loans plus the Maximum Drawing Amount and all Unpaid Reimbursement Obligations exceeds the lesser of (a) the Total Revolving Credit Commitment and (b) the Borrowing Base, then the Borrowers shall immediately pay the amount of such excess to the Agent for the respective accounts of the Banks for application, first to any Unpaid Reimbursement Obligation; second, to the Revolving Credit Loans; and third, to provide to the Agent cash collateral for Reimbursement Obligations as contemplated by (S)4. Each payment of any Unpaid Reimbursement Obligation or prepayment of Revolving Credit Loans shall be allocated among the Banks, in proportion, as nearly as practicable, to each Reimbursement Obligation or (as the case may be) the respective unpaid principal amount of each Bank's Revolving Credit Note, with adjustments to be extent practicable to equalize any prior payments or repayments not exactly in proportion. The Borrowers may elect to prepay the outstanding principal of all or any part of any Revolving Credit Loan, without premium or penalty, in a minimum amount of $100,000 or an integral multiple thereof, upon written notice to the Agent given by 10:00 a.m. Boston time on the date of such prepayment, of the amount to be prepaid. Each partial prepayment shall be allocated among the Banks, in proportion, as nearly as practicable, to the respective unpaid principal amount of each Bank's Revolving Credit Note, with adjustments to the extent practicable to equalize any prior repayments not exactly in proportion. The Borrowers shall be entitled to reborrow before the Revolving Credit Loan Maturity Date such amounts, upon the terms and subject to the conditions of this Agreement. Each repayment or prepayment of principal of any Revolving Credit Loan shall be accompanied by payment of the unpaid interest accrued to such date on the principal being repaid or prepaid.. The Borrowers may elect to reduce or terminate the Revolving Credit Loan

Commitment by a minimum principal amount of $100,000 or an integral multiple thereof, upon written notice to the Agent given by 10:00 a.m. Boston time at least two (2) Business Days prior to the date of such reduction or termination. The Borrowers shall not be entitled to reinstate the Revolving Credit Loan Commitment following such reduction or termination.

2.6. FUNDS FOR REVOLVING CREDIT LOAN.

2.6.1. FUNDING PROCEDURES. Not later than 11:00 a.m. (Boston time) on the proposed Drawdown Date of any Revolving Credit Loans, each of the Banks will make available to the Agent, at the Agent's Head Office, in immediately available funds, the amount of such Bank's Commitment Percentage of the amount of the requested Revolving Credit Loans. Upon receipt from each Bank of such amount, and upon receipt of the documents required by (S)8 and the satisfaction of the other conditions set forth therein, to the extent applicable, the Agent will make available to the Borrowers the aggregate amount of such Revolving Credit Loans made available to the Agent by the Banks. The failure or refusal of any Bank to make available to the Agent at the aforesaid time and place on any Drawdown Date the amount of its Commitment Percentage of the requested Revolving Credit Loans shall not relieve any other Bank from its several obligation hereunder to make available to the Agent the amount of such other Bank's Commitment Percentage of any requested Revolving Credit Loans.

2.6.2 ADVANCES BY AGENT. The Agent may, unless notified to the contrary by any Bank prior to a Drawdown Date, assume that such Bank has made available to the Agent on such Drawdown Date the amount of such Bank's Commitment Percentage of the Revolving Credit Loans to be made on such Drawdown Date, and the Agent may (but it shall not be required to), in reliance upon such assumption, make available to the Borrowers a corresponding amount. If any Bank makes available to the Agent such amount on a date after such Drawdown Date, such Bank shall pay to the Agent on demand an amount equal to the product of (a) the average computed for the period referred to in clause (c) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period, times (b) the amount of such Bank's Commitment Percentage of such Revolving Credit Loans, times (c) a fraction, the numerator of which is the number of days that elapse from and including such Drawdown Date to the date on which the amount of such Bank's Commitment Percentage of such Revolving Credit Loans shall become immediately available to the Agent, and the denominator of which is 365. A statement of the Agent submitted to such Bank with respect to any amounts owing under this paragraph shall be prima facie evidence of the amount due and owing to the Agent by such Bank. If the amount of such Bank's Commitment Percentage of such Revolving Credit Loans is not made available to the Agent by such Bank within three (3) Business Days following such Drawdown Date, the

Agent shall be entitled to recover such amount from the Borrowers on demand, with interest thereon at the rate per annum applicable to the Revolving Credit Loans made on such Drawdown Date.

3. THE TERM LOAN.

3.1. COMMITMENT TO LEND. Upon the terms and subject to the conditions of this Agreement, each Bank agrees to lend to the Borrowers on the Closing Date the amount of its Commitment Percentage of the principal amount of $15,500,000.

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

3.3. SCHEDULE OF INSTALLMENT PAYMENTS OF PRINCIPAL OF TERM LOAN. The Borrowers jointly and severally promise to pay to the Agent for the account of the Banks the principal amount of the Term Loan in sixteen (16) consecutive quarterly payments, payable on the last Business Day of each fiscal quarter ending within any period set forth below in the amount set forth opposite such period, commencing on January 31, 1999 with a final payment on the Term Loan Maturity Date in an amount equal to the unpaid balance of the Term Loan.

QUARTER ENDING:	AMOUNT OF EACH PAYMENT
January 31, 1999 - October 31, 1999	$ 387,500
January 31, 2000 - October 31, 2000	$ 775,000
January 31, 2001 - October 31, 2001	$1,162,500
January 31, 2002 - October 31, 2002	$1,550,000

Term Loan Maturity Date	Remaining unpaid balance of Term Loan

3.4. OPTIONAL PREPAYMENT OF TERM LOAN. The Borrowers shall have the right at any time to prepay the Term Notes on or before the Term Loan Maturity Date, as a whole, or in part, upon not less than five (5) Business Days prior written notice to the Agent, without premium or penalty, provided, that (a) each partial prepayment shall be in the principal amount of $100,000 or an integral multiple thereof; (b) no portion of the Term Loan bearing interest at the LIBOR Rate may be prepaid pursuant to this (S)3.4 except on the last day of the Interest Period relating thereto; and (c) each partial prepayment shall be allocated among the Banks, in proportion, as nearly as practicable, to the respective outstanding amount of each Bank's Term Note, with adjustments to the extent practicable to equalize any prior prepayments not exactly in proportion. Any prepayment of principal of the Term Loan shall include all interest accrued to the date of prepayment and shall be applied against the scheduled installments of principal due on the Term Loan in the inverse order of maturity No amount repaid with respect to the Term Loan may be reborrowed.

3.5. INTEREST ON TERM LOAN.

3.5.1. INTEREST RATES. So long as no Event of Default is continuing, and except as otherwise provided herein, the Term Loan shall bear interest during each Interest Period relating to all or any portion of the Term Loan at the following rates: (a) to the extent that all or any portion of the Term Loan bears interest during such Interest Period at the Base Rate, the Term Loan or such portion shall bear interest during such Interest Period at the rate per annum equal to the Base Rate plus the Applicable Margin; (b) to the extent that all or any portion of the Term Loan bears interest during such Interest Period at the LIBOR Rate, the Term Loan or such portion shall bear interest during such Interest Period at the rate per annum equal to the LIBOR Rate for such Interest Period plus the Applicable Margin. The Borrowers jointly and severally promise to pay interest on the Term Loan or any portion thereof outstanding during each Interest Period in arrears on each Interest Payment Date applicable to such Interest Period. While an Event of Default is continuing, amounts payable under any of the Loan Documents shall bear interest (compounded monthly and payable on demand in respect of overdue amounts) at a rate per annum which is equal to the sum of (a) the Base Rate, and (b) three percent (3%) above the Margin until such amount is paid in full or (as the case may be) such Event of Default has been cured or waived in writing by the Majority Banks (after as well as before judgment).

3.5.2. NOTIFICATION BY BORROWERS. The Borrowers shall notify the Agent, such notice to be irrevocable, at least three (3) LIBOR Business Days prior to the Drawdown Date of the Term Loan if all or any portion of the Term Loan is to bear interest at the LIBOR Rate. After the

Term Loan has been made, the provisions of (S)2.3 shall apply mutatis mutandis with respect to all or any portion of the Term Loan so that the Borrower may have the same interest rate options with respect to all or any portion of the Term Loan as it would be entitled to with respect to the Revolving Credit Loans.

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

4. LETTER OF CREDIT FACILITY.

4.1. LETTER OF CREDIT COMMITMENT.

(a) Subject to the terms and conditions hereof and the execution and delivery by the Borrowers of a letter of credit application on the Agent's customary form (a "Letter of Credit Application"), the Agent on behalf of the Banks, in reliance upon the agreement of the Banks set forth in (S)4.1(d) and upon the representations and warranties of the Borrowers contained herein, agrees, in its individual capacity, to issue, extend and renew, for the account of the Borrowers, or, at the Borrowers' request, for the account of the Parent, one or more standby letters of credit (individually, a "Letter of Credit"), in such form as may be requested from time to time by the Borrowers or, as the case may be, the Parent and agreed to by the Agent; provided, however, that, after giving effect to such request, (i) the sum of the aggregate Maximum Drawing Amount and all Unpaid Reimbursement Obligations for all Letters of Credit shall not exceed $2,000,000 at any one time; and (ii) the sum of (1) the Maximum Drawing Amount on all Letters of Credit; plus (2) all Unpaid Reimbursement Obligations, plus (3) the amount of all Revolving Credit Loans outstanding shall not exceed the lesser of (a) the Total Commitment and (b) the Borrowing Base;

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

(c) Each Letter of Credit issued, extended or renewed hereunder shall, among other things, (i) provide for the payment of sight drafts for honor thereunder when presented in accordance with the terms thereof

and when accompanied by the documents described therein and (ii) shall have an expiry date no later than the date which is fourteen (14) days (or, if the Letter of Credit is confirmed by a confirmer or otherwise provides for one or more nominated persons, forty-five (45) days) prior to the Revolving Credit Loan Maturity Date. The Letter of Credit so issued, extended or renewed shall be subject to the Uniform Customs;

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

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

4.2. REIMBURSEMENT OBLIGATION OF THE BORROWER. In order to induce the Agent to issue, extend and renew any Letter of Credit and the Banks to participate therein, each of the Borrowers hereby jointly and severally agrees to reimburse or pay to the Agent, for the account of the Agent or, as the case may be, the Banks, with respect to any Letter of Credit issued, extended or renewed by the Agent hereunder,

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

(b) upon the reduction (but not termination) of the Total Commitment to an amount less than the Maximum Drawing Amount, an amount equal to such difference, which amount shall be held by the Agent for the benefit of the Banks and the Agent as cash collateral for all Reimbursement Obligations; and

(c) upon the termination of the Total Commitment, or the acceleration of the Reimbursement Obligations with respect to all Letters of Credit in accordance with (S)10 an amount equal to the Maximum Drawing Amount on all Letters of Credit, which amount shall be held by

the Agent for the benefit of the Agent and the Banks as cash collateral for all Reimbursement Obligations.

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

4.3. LETTER OF CREDIT PAYMENTS. If any draft shall be presented or other demand for payment shall be made under any Letter of Credit, the Agent shall notify the Borrowers of the date and amount of the draft presented or demand for payment and of the date and time when it expects to pay such draft or honor such demand for payment. If the Borrowers fail to reimburse the Agent as provided in (S)4.2 on or before the date that such draft is paid or other payment is made by the Agent, the Agent may at any time thereafter notify the Banks of the amount of any such Unpaid Reimbursement Obligation. No later than 3:00 p.m. (Boston time) on the Business Day next following the receipt of such notice, each Bank shall make available to the Agent, at the Agent's Head Office, in immediately available funds, such Bank's Commitment Percentage of such Unpaid Reimbursement Obligation, together with an amount equal to the product of (a) the average, computed for the period referred to in clause (c) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period, times (b) the amount equal to such Bank's Commitment Percentage of such Unpaid Reimbursement Obligation, times (c) a fraction, the numerator of which is the number of days that elapse from and including the date the Agent paid the draft presented for honor or otherwise made payment to the date on which such Bank's Commitment Percentage of such Unpaid Reimbursement obligation shall become immediately available to the Agent, and the denominator of which is 360. The responsibility of the Bank to the Borrowers, the Parent and the Banks, as the case may be, shall be only to determine that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment shall be in conformity in all material respects with such Letter of Credit.

4.4. OBLIGATIONS ABSOLUTE. Each of the Borrowers' joint and several obligations under this (S)4 shall be absolute and unconditional under any and all circumstances and irrespective of the occurrence of any Default or Event of Default or any condition precedent whatsoever or any setoff, counterclaim or defense to payment which the Borrowers may have or have had against the Agent, any Bank or the beneficiary of any Letter of Credit. Each of the Borrowers further agrees with the Agent and the Banks that the Agent and the Banks shall not be responsible for, and the Reimbursement Obligations shall not

be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrowers, the beneficiary of any Letter of Credit or any financing institution or other party to which such Letter of Credit may be transferred or any claims or defenses whatsoever of either the Parent or the Borrowers against the beneficiary of any Letter of Credit or any such transferee. The Agent and the Banks shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit. Each of the Parent and the Borrowers agrees that any action taken or omitted by the Agent or any Bank under or in connection with any Letter of Credit and the related drafts and documents, if done in good faith, shall be binding upon the Borrowers and the Parent and shall not result in any liability on the part of the Agent or any Bank to the Borrowers or the Parent.

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

4.6. LETTER OF CREDIT FEES. The Borrowers shall, on the date of issuance or of any extension or renewal of any Letter of Credit and at such other time or times as such charges are customarily made by the Agent, pay a fee (in each case a "Letter of Credit Fee") to the Agent in a per annum amount equal to the Applicable Margin otherwise applicable to LIBOR Rate Loans times the face amount of such Letter of Credit (of which 1/8% of such 1% shall be retained for the account of the Agent as issuer of such Letter of Credit (the "Issuing Bank Fee")), plus the Agent's customary issuance, amendment and other administrative processing fees, such Letter of Credit Fee (other than the Issuing Bank Fee and not such issuance, amendment or administrative fee) to be for the accounts of the Banks in accordance with their respective Commitment Percentages.

5. CHANGES IN CIRCUMSTANCES, ETC.

5.1. INABILITY TO DETERMINE LIBOR RATE. In the event, prior to the commencement of any Interest Period relating to any LIBOR Rate Loan, the Agent shall determine or be notified by the Majority Banks that adequate and reasonable methods do not exist for ascertaining the LIBOR Rate that would otherwise determine the rate of interest to be applicable to any LIBOR Rate Loan during any Interest Period, the Agent shall forthwith give notice of such determination (which shall be conclusive and binding on the Borrowers and the Banks) to the Borrowers and the Banks. In such event (a) any Loan Request or Conversion Request with respect to LIBOR Rate Loans shall be automatically withdrawn and shall be deemed a request for a Base Rate Loan, (b) each LIBOR Rate Loan will automatically, on the last day of the then current Interest Period relating thereto, become a Base Rate Loan, and (c) the obligations of the Banks to make LIBOR Rate Loans shall be suspended until the Agent or the Majority Banks determines that the circumstances giving rise to such suspension no longer exist, whereupon the Agent or, as the case may be, the Agent upon the instruction of the Majority Banks shall so notify the Borrowers and the Banks.

5.2. ILLEGALITY. Notwithstanding any other provisions herein, if any present or future law, regulation, treaty or directive or in the interpretation or application thereof shall make it unlawful for any Bank to make or maintain LIBOR Rate Loans, such Bank shall forthwith give notice of such circumstances to the Borrowers and the other Banks and thereupon (a) the commitment of such Bank to make LIBOR Rate Loans or convert Base Rate Loans to LIBOR Rate Loans shall forthwith be suspended and (b) such Bank's Loans then outstanding as LIBOR Rate Loans, if any, shall be converted automatically to Base Rate Loans on the last day of each Interest Period applicable to such LIBOR Rate Loans or within such earlier period as may be required by law. Each of the Borrowers hereby jointly and severally agrees promptly to pay the Agent for the account of such Bank, upon demand by such Bank, any additional amounts necessary to compensate such Bank for any costs incurred by such Bank in making any conversion in accordance with this (S)5.2, including the discounted present value of any interest or fees payable by such Bank to lenders of funds obtained by it in order to make or maintain its LIBOR Loans hereunder.

5.3. CHANGES IN CIRCUMSTANCES. If, on or after the date hereof any Bank or the Agent determines that (a) the adoption of, or any change in, any applicable law, rule, regulation or guideline or the interpretation or administration thereof (whether or not having the force of law), or (b) compliance by such Bank or the Agent or its parent holding company with any guideline, request or directive (whether or not having the force of law), (i) has the effect of reducing the return on the Bank's, the Agent's or such holding company's capital as a consequence of the Commitment, the Loans or the Letters of Credit to a level below that which such Bank, the Agent or such holding company could have achieved but for such adoption, change or compliance by any amount deemed by such Bank or the Agent to be material, or (ii) shall subject such Bank to any tax, duty or other charge with respect to any LIBOR

Rate Loan or any Note, or shall change the basis of taxation of payments to such Bank of the principal of or interest on, LIBOR Rate Loans or in respect of any other amount due under this Agreement in respect of LIBOR Rate Loans (other than with respect to taxes based upon such Bank's net income); or (iii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to the LIBOR Rate Loan any such requirement included in the applicable Eurocurrency Reserve Rate) against assets of, deposits with or for the account of, or credit extended by, any Bank or the Agent, or shall impose on any Bank, the Agent or the London interbank market any other condition affecting LIBOR Rate Loans or the Notes, and the result of any of the foregoing is to increase the cost to any Bank of making or maintaining any LIBOR Rate Loan, or to reduce the amount of any sum received or receivable by such Bank under this Agreement or under any Note with respect to any Loan or the Letter of Credit, by an amount reasonably deemed by such Bank or the Agent to be material, then such Bank or the Agent may notify the Borrowers thereof. Each of the Borrowers jointly and severally agrees to pay to the Agent for the account of such Bank or the Agent, as the case may be, (A) the amount of the Borrowers' allocable share of the amount of such reduction in the return on capital as and when such reduction is determined, upon presentation by such Bank of a statement in the amount and setting forth such Bank's calculation thereof, which statement shall be deemed true and correct absent manifest error and (B) such additional amount or amounts as will compensate such Bank for such other increased costs or reduction. Each Bank agrees to allocate shares of such reduction among the Borrowers and such Bank's other customers similarly situated on a fair and non-discriminatory basis.

5.4. CERTIFICATE. A certificate setting forth any additional amounts payable pursuant to (S)5.3 and a brief explanation of such amounts which are due, submitted by any Bank or the Agent to the Borrowers, shall be conclusive, absent manifest error, that such amounts are due and owing.

5.5. INDEMNITY. The Borrowers jointly and severally agree to indemnify each Bank and to hold each Bank harmless from and against any loss, cost or expense that such Bank may sustain or incur as a consequence of (a) default by the Borrowers in payment of the principal amount of or any interest on any LIBOR Rate Loans as and when due and payable, including any such loss or expense arising from interest or fees payable by such Bank to lenders of funds obtained by it in order to maintain its LIBOR Rate Loans, (b) default by the Borrowers in making a borrowing or conversion after the Borrowers have given (or are deemed to have given) a Loan Request or a Conversion Request relating thereto in accordance with (S)2.2, (S)2.3 or (S)3.5 or (c) the making of any payment of a LIBOR Rate Loan or the making of any conversion of any such Loan to a Base Rate Loan on a day that is not the last day of the applicable Interest Period with respect thereto, including interest or fees payable by any Bank to lenders of funds obtained by it in order to maintain any such LIBOR Rate Loans.

6. FEES AND PAYMENTS.

Contemporaneously with execution and delivery of this Agreement, the Borrowers shall jointly and severally pay to the Agent a closing fee in the amount of $50,000. The Borrowers shall jointly and severally pay to the Agent for the Agent's own account an agent's fee at the times and in the amounts determined by the Agent and the Borrowers. The Borrowers shall jointly and severally pay to the Agent for the pro rata accounts of the Banks, on the first day of each calendar quarter hereafter, and upon the Revolving Credit Loan Maturity Date or the date upon which the Revolving Credit Loan Commitment is no longer in effect, a commitment fee calculated at a rate per annum which is equal to one half of one percent (1/2%) of the average daily difference by which the Total Revolving Credit Commitment amount exceeds the aggregate sum of the outstanding Revolving Credit Loans during the preceding calendar quarter or portion thereof. All payments to be made by the Borrowers hereunder or under any of the other Loan Documents shall be made in U.S. dollars in immediately available funds at the Agent's Head Office, without set-off or counterclaim and without any withholding or deduction whatsoever. Each Bank and the Agent shall be entitled to charge any account of the Borrowers with such Bank for any sum due and payable by the Borrowers to such Bank hereunder or under any of the other Loan Documents. If any payment hereunder is required to be made on a day which is not a Business Day, it shall be paid on the immediately succeeding Business Day, with interest and any applicable fees adjusted accordingly. All computations of interest or of the commitment fee or any Letter of Credit Fees payable hereunder shall be made by the Bank on the basis of actual days elapsed and on a 360-day year.

7. REPRESENTATIONS AND WARRANTIES.

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

(a) each of the Borrowers and each of their Subsidiaries is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation and is duly qualified and in good standing in every other jurisdiction where it is doing business, and the execution, delivery and performance by the Borrowers and the Guarantors of the Loan Documents to which it is a party (i) are within its corporate authority, (ii) have been duly authorized, (iii) do not conflict with or contravene its Charter Documents;

(b) upon execution and delivery thereof, each Loan Document shall constitute the legal, valid and binding obligation of the Borrowers and their Subsidiaries party thereto, enforceable in accordance with its terms;

(c) each of the Borrowers and their Subsidiaries has good and marketable title to all its material properties, subject only to Liens permitted hereunder, and possesses all assets, including intellectual properties, franchises and Consents, adequate for the conduct of its business as now conducted, without known conflict with any rights of others. Each of the Borrowers and their Subsidiaries maintains insurance with financially responsible insurers, copies of the policies for which have been previously delivered to the Agent, covering such risks and in such amounts and with such deductibles as are customary in the each of the Borrowers' and their Subsidiaries' business and are adequate;

(d) SalesLink has provided to the Agent its audited Financials as at July 31, 1997, and for the fiscal period then ended, and such Financials are complete and correct and fairly present the position of SalesLink and its Subsidiaries on a consolidated basis as at such date and for such period in accordance with GAAP consistently applied. InSolutions has provided to the Agent the audited Financials of InSolutions Incorporated, and such Financials are complete and correct and fairly present the position of InSolutions and its Subsidiaries on a consolidated basis as at such date and for such period in accordance with GAAP consistently applied. Each of the Borrowers has also provided to the Agent its projections of the consolidated and combined operations of the Borrowers and their Subsidiaries for the period from 1998 through 2003, and such forecast has been prepared in good faith based upon reasonable assumptions;

(e) since July 31, 1997, there has been no materially adverse change of any kind in SalesLink or any of its other Subsidiaries which would have a Materially Adverse Effect, and since March 31, 1998 there has been no materially adverse change of any kind in the business or assets to be acquired in the Acquisition which would have, either individually or in the aggregate, a Materially Adverse Effect;

(f) there are no legal or other proceedings or investigations pending or threatened against the Borrowers or any of their Subsidiaries before any court, tribunal or regulatory authority which would, if adversely determined, alone or together, have a Materially Adverse Effect;

(g) the execution, delivery, performance of its obligations, and exercise of its rights under the Loan Documents by each of the Guarantors and the Borrowers, including borrowing under this Agreement and the obtaining of Letters of Credit (i) do not require any Consents; and (ii) are not and will not be in conflict with or prohibited or prevented by (A) any Requirement of Law, or (B) any Charter Document, corporate minute or resolution, instrument, agreement or provision thereof, in each case binding on it or affecting its property;

(h) neither of the Guarantors nor either Borrower is in violation of (i) any Charter Document, corporate minute or resolution, (ii) any instrument or agreement, in each case binding on it or affecting its property, or (iii) any Requirement of Law, in a manner which could have a Materially Adverse Effect, including, without limitation, all applicable federal and state tax laws, ERISA and Environmental Laws;

(i) each Borrower is a wholly-owned Subsidiary of the Parent, SalesLink has no Subsidiaries other than Pacific Direct, InSolutions has no Subsidiaries and neither of the Guarantors nor the Borrowers are a party to any partnership or joint venture;

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

(k) no representation or warranty made by either of the Guarantors or the Borrowers in this Agreement or in any agreement, instrument, document, certificate, statement or letter furnished to the Agent or any Bank by or on behalf of such Guarantor and such Borrower in connection with any of the transactions contemplated by any of the Loan Documents and the Acquisition Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made;

(l) to the best of the Borrowers' knowledge, each of the representations and warranties of the Sellers and InSolutions Incorporated contained in the Meger Agreement are true and correct in all material respects as of the Closing Date and the Acquisition Closing Date;

(m) the proceeds of (i) the Term Loan shall be used to refinance existing Indebtedness of SalesLink and InSolutions and to make a loan to the Parent to finance a portion of the purchase price of the Acquisition; and (ii) the Revolving Credit Loans shall be used for working capital and general corporate purposes of the Borrowers and their Subsidiaries. The Borrowers will obtain other Letters of Credit solely for working capital and general corporate purpposes. No portion of any Loan is to be used,

and no portion of the Letter of Credit is to be obtained, for the purpose of purchasing or carrying any "margin security" or "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224; and

(n) all filings, assignments, pledges and deposits of documents or instruments have been made and all other actions have been taken that are necessary or advisable, under applicable law, to establish and perfect the Agent's security interest in the Collateral. The Collateral and the Agent's rights with respect to the Collateral are not subject to any setoff, claims, withholdings or other defenses. The Borrowers and the Guarantors (with respect to the Collateral under the Guarantor's Security Agreement) is the owner of the Collateral free from any lien, security interest, encumbrance and any other claim or demand, except Liens permitted under (S)9.2(b) (the "Permitted Liens").

8. CONDITIONS PRECEDENT.

In addition to the making of the foregoing representations and warranties and the delivery of the Loan Documents, the Acquisition Documents and such other documents and the taking of such actions as the Agent and each Bank may require at or prior to the time of executing this Agreement, the obligation of any Bank to make any Loan or of the Agent to issue, renew or extend any Letter of Credit to the Borrowers, is subject to the satisfaction of the following further conditions precedent:

(a) each of the representations and warranties of each of the Guarantors and the Borrowers to the Agent and the Banks herein, in any of the other Loan Documents or any documents, certificate or other paper or notice in connection herewith shall be true and correct in all material respects as of the time made or claimed to have been made;

(b) no Default or Event of Default shall have occurred and be continuing;

(c) all proceedings in connection with the transactions contemplated hereby shall be in form and substance satisfactory to the Agent and the Banks, and the Agent and the Banks shall have received all information and documents as it may have reasonably requested;

(d) no change shall have occurred in any law or regulation or in the interpretation thereof that in the reasonable opinion of the Agent or any Bank would make it unlawful for such Bank to make such Loan or for the Agent to issue, extend or renew any Letter of Credit;

(e) each of the Guarantors and the Borrowers shall have delivered to the Agent and the Banks (i) certified copies of its Charter Documents; (ii) evidence that all corporate action necessary for the valid execution,

delivery and performance by each of the Guarantors and the Borrowers of the Loan Documents to which it is a party has been duly and effectively taken; (iii) an incumbency certificate signed by a duly authorized officer of each of the Guarantors and the Borrowers, and giving the name and bearing a specimen signature of each individual who shall be authorized to sign, in the name and on behalf of each of the Guarantors and the Borrowers, each of the Loan Documents to which each is a party and to give notices and to take action on each of the Guarantor's and the Borrowers' behalf under the Loan Documents; (iv) a solvency certificate of each of the Guarantors and the Borrowers in form and substance satisfactory to the Agent; and (v) a favorable legal opinion addressed to the Agent and the Banks in form and substance satisfactory to the Agent and the Banks from counsel to each of the Guarantors and the Borrowers;

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

(g) the Agent and the Banks shall have received an opinion of counsel to the Borrowers and the Guarantors satisfactory to the Agent and the Banks;

(h) the Borrowers shall have caused the Agent to receive evidence that all of the closing conditions in the Merger Agreement have been satisfied without recourse to any provision permitting the waiver by any party thereto of any condition, obligation, covenant or other requirement and that the Acquisition shall have been completed pursuant to Merger Agreement and otherwise on terms and conditions that are satisfactory to the Agent in all respects. In addition the purchase price of the capital stock acquired pursuant to the Acquisition and all expenditures and transaction costs associated therewith shall not exceed $15,000,000 in the aggregate, and the Acquisition shall have been completed on terms and conditions that are satisfactory to the Agent in all respects;

(i) the Agent shall have received evidence satisfactory to the Agent that the Indebtedness under the Original Credit Agreement has been refinanced hereunder, the promissory note issued to Michael Tuite has been repaid in full, and the Letter of Credit issued in favor of Michael Tuite has been cancelled and returned to the Agent (or, in the alternative, appropriate arrangements satisfactory to the Agent have been made for its return and cancellation); and

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

9. COVENANTS.

9.1. AFFIRMATIVE COVENANTS. Each of the Guarantors and the Borrowers agrees that so long as there are any Loans or Letters of Credit outstanding and until the termination of the Commitment and the payment and satisfaction in full of all the Obligations, each of the Guarantors and the Borrowers will, and where applicable the Borrowers will cause each of their Subsidiaries to comply with, its obligations as set forth throughout this Agreement and to:

(a) furnish the Agent and the Banks: (i) as soon as available but in any event within ninety (90) days after the close of each fiscal year, each of the Borrowers' audited consolidated and consolidating Financials for such year, certified by its accountants, as well as the Borrowers' combined Financials for such year, certified by its accountants; (ii) as soon as available but in any event within forty-five (45) days after the end of each fiscal quarter, the Borrowers' unaudited combined and combining Financials for such quarter, certified by their respective chief financial officers; (iii) as soon as available but in any event within thirty (30) days after the end of each month in each fiscal year of the Borrowers, unaudited monthly combined Financials for such month, certified by their respective chief financial officers; (iv) together with the quarterly and annual audited Financials, a certificate of the Borrowers (the "Compliance Certificate") setting forth computations demonstrating compliance with the Borrowers' financial covenants set forth herein, and certifying that no Default or Event of Default has occurred, or if it has, the actions taken by the Borrowers with respect thereto; (v) within twenty (20) days after the end of each calendar month or at such earlier time as the Agent may reasonably request, a Borrowing Base Report setting forth the Borrowing Base as at the end of such calendar month or other date so requested by the Agent; (vi) within twenty (20) days after the end of each calendar month, an Accounts Receivable aging report; (vii) contemporaneously with the delivery thereof, copies of all accountants' management letters delivered to the Borrowers or any of their Subsidiaries; and (viii) from time to time such other financial data and information as the Agent or any Bank may request;

(b) keep true and accurate books of account in accordance with GAAP, maintain its current fiscal year and permit the Agent or any Bank or its designated representatives to inspect the Guarantors' and the Borrowers' premises during normal business hours, to examine and be advised as to such or other business records upon the request of the Agent or any Bank, and to permit the Agent's or any Bank's commercial finance examiners to conduct periodic commercial finance examinations which prior to an Event of Default shall be no more often than one (1) per year;

(c) (i) maintain its corporate existence, business and assets, (ii) keep its business and assets adequately insured, (iii) maintain

SalesLink's chief executive office in Boston, Massachusetts or at such other place in the United States of America as SalesLink shall designate upon written notice to the Agent and maintain InSolution's chief executive office in Santa Clara, California or at such other place in the United States of America as InSolutions shall designate upon written notice to the Agent, (iv) continue to engage in substantially similar lines of business, and (v) comply with all Requirements of Law, including ERISA and Environmental Laws;

(d) notify the Agent and the Banks promptly in writing of (i) the occurrence of any Default or Event of Default, (ii) any noncompliance with ERISA or any Environmental Law or proceeding in respect thereof which could have a Materially Adverse Effect, (iii) any change of address, (iv) any threatened or pending litigation or similar proceeding affecting the Guarantors or the Borrowers or their other Subsidiaries or any material change in any such litigation or proceeding previously reported and (v) claims against any assets or properties of the Guarantors, the Borrower or any such Subsidiaries encumbered in favor of the Agent or any Bank;

(e) use the proceeds of the Loans and Letters of Credit solely for the purposes set forth in (S)7(m), and not for the carrying of "margin security" or "margin stock" within the meaning of Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224;

(f) cooperate with the Agent and the Banks, take such action, execute such documents, and provide such information as the Agent and the Banks may from time to time reasonably request in order further to effect the transactions contemplated by and the purposes of the Loan Documents;

(g) by not later than ninety (90) days of the Closing Date, purchase an interest rate cap or swap or effect other interest rate protection arrangements for a minimum period of five (5) years applicable to not less than fifty percent (50%) of the Term Loan, on terms and conditions satisfactory to the Agent; and

(h) simultaneously with the formation or acquisition of any new Subsidiary, cause such Subsidiary to execute and deliver to the Agent a Guaranty, Security Agreement and such other documents, instruments or agreements which the Agent may reasonably request in order to perfect its security interest in all assets of such Subsidiary.

9.2. NEGATIVE COVENANTS. Each of the Guarantor and the Borrowers agrees
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that so long as there are any Loans or any Letter of Credit is outstanding and until the termination of the Commitment and the payment and satisfaction in full of all the Obligations, neither of the Guarantors nor the Borrowers will and where applicable the Borrowers will not permit their Subsidiaries to:

(a) create, incur or assume any Indebtedness other than (i) Indebtedness to the Agent and the Banks, (ii) current liabilities of the Borrowers or any Subsidiaries of the Borrowers not incurred through the borrowing of money or the obtaining of credit except credit on an open account customarily extended, (iii) Indebtedness in respect of taxes or other governmental charges contested in good faith and by appropriate proceedings and for which adequate reserves have been taken; (iv) Indebtedness of the Borrowers in respect of interest rate protection arrangements required to be maintained by (S)9.1(g) or in respect of currency swap arrangements so long as such arrangements are in the ordinary course of business and not for speculative purposes; (v) unsecured Indebtedness of the Borrowers and their Subsidiaries not otherwise provided for in this (S)9.2(a) which, when taken together with all such Indebtedness of the Borrower and its Subsidiaries set forth on Schedule 9.2(a) does not
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exceed, in the aggregate, $500,000; (vi) Indebtedness not included above and listed on Schedule 9.2(a) hereto; and (vii) Indebtedness in respect of
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capitalized leases in the aggregate amount outstanding at any time not to exceed the amount permitted pursuant to (S)9.3(a) hereof;

(b) create or incur any Liens on any of the property or assets of the Borrowers or any of their Subsidiaries except (i) Liens securing the Obligations; (ii) Liens securing taxes or other governmental charges not yet due; (iii) deposits or pledges made in connection with social security obligations; (iv) Liens of carriers, warehousemen, mechanics and materialmen, less than 120 days old as to obligations not yet due; (v) easements, rights-of-way, zoning restrictions and similar minor Liens which individually and in the aggregate do not have a Materially Adverse Effect; (vi) purchase money security interests in or purchase money mortgages on real or personal property securing purchase money Indebtedness permitted by (S)9.2(a)(ii), covering only the property so acquired; and (vii) other Liens existing on the date hereof and listed on Schedule 9.2(b) hereto;
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(c) make any investments other than investments in (i) marketable obligations of the United States maturing within one (1) year, (ii) certificates of deposit, bankers' acceptances and time and demand deposits of United States banks having total assets in excess of $1,000,000,000, (iii) Subsidiaries which are parties to the Loan Documents, (iv) Twin Solutions LLC for the construction of the CD-ROM processing facility provided the aggregate amount of such investment does not exceed $2,500,000; (v) the loan in the principal amount not to exceed $4,249,845 in the aggregate to the Parent or (vi) such other investments as the Agent and the Majority Banks may from time to time approve in writing;

(d) make any Restricted Payment, provided, however, any Subsidiary shall be permitted to make a Distribution to any Borrower;

(e) become party to a merger or sale-leaseback transaction, or to effect any disposition of assets other than in the ordinary course, or to purchase, lease or otherwise acquire assets other than in the ordinary course; provided, however, SalesLink shall be permitted to acquire 100 % of
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the capital stock of InSolutions from the Parent so long as the criteria set forth in (i) through (vii) are satisfied and the Borrowers shall be permitted to acquire the assets and/or stock of another entity so long as (i) such entity is in the same or a similar line of business as the Borrowers; (ii) the applicable Borrower has provided the Agent with five (5) Business Days prior written notice of such acquisition, which notice shall include a reasonably detailed description of the acquisition; (iii) the business and/or entity to be acquired would not subject the Agent or any Bank to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or the other Loan Documents; (iv) the Borrowers have demonstrated to the satisfaction of the Agent and the Banks, based on a pro forma Compliance Certificate,
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compliance with (S)9.3 on a pro forma basis immediately prior to and after
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giving effect to any such acquisition; (v) the business and assets so acquired in each such acquisition shall be acquired by the applicable Borrower free and clear of all liens and Indebtedness; (vi) the aggregate purchase price for each acquisition, or a series of related acquisitions, does not exceed $5,000,000 and the aggregate purchase price of all acquisitions permitted hereunder does not exceed $10,000,000 during the term of this Agreement; and (vii) the applicable Borrower shall at all times maintain a majority voting interest in such entity to be acquired; and

(f) make any change in or amendment to either of the Borrowers' or the Guarantors' Charter Documents unless such change or amendment that would not have any adverse effect on the Agent's or any Bank's interest under the Loan Documents or the Guarantors' or Borrowers' obligations under the Loan Documents.

9.3. FINANCIAL COVENANTS. Each of the Borrowers agrees that so long as
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there are any Loans or Letters of Credit outstanding and until the termination of the Commitment and the payment and satisfaction in full of all the Obligations, the Borrowers will not and will not permit their Subsidiaries to:

(a) make capital expenditures or incur Indebtedness in respect of capitalized leases which in the aggregate and on a combined basis exceed (a) $5,000,000 from the Closing Date through July 31, 1999; (b) $4,000,000 for the fiscal year ending July 31, 2000 and (c) $2,000,000 in any fiscal year thereafter; provided, however, that, if during any fiscal year the
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amount of capital expenditures permitted for that fiscal year is not so utilized, such unutilized amount may be utilized in the next succeeding fiscal year but not in any subsequent fiscal year;

(b) permit the Leverage Ratio for any fiscal quarter ending during any period described in the table below to be greater than the ratio set forth opposite such period in such table:

PERIOD	RATIO
July 31, 1998	2.50:1.00
October 31, 1998	2.40:1.00
January 31, 1999	2.25:1.00
April 30, 1999 and thereafter	2.00:1.00

(c) permit the ratio of the Borrowers' Combined Operating Cash Flow to Combined Total Debt Service for any Reference Period to be less than 1.25:1.00.

(d) permit the ratio of the Borrowers' Combined Current Assets to Combined Current Liabilities at any time to be less than 1.25:1.00; or

(e) permit the Borrower's Combined Net Income for any fiscal quarter to be less than $1.00.

10. EVENTS OF DEFAULT; ACCELERATION.

If any of the following events ("Events of Default") shall occur:

(a) the Borrowers shall fail to pay when due and payable any principal of the Loans when the same becomes due;

(b) the Borrowers shall fail to pay interest on the Loans, or the Borrowers shall fail to pay any Reimbursement Obligations not funded by a Revolving Credit Loan pursuant to (S)2.2(c), or any other sum due under any of the Loan Documents within two (2) Business Days after the date on which the same shall have first become due and payable;

(c) either of the Guarantors or the Borrowers shall fail to perform any term, covenant or agreement contained in (S)(S)9.1(a), 9.1(d) through (g), 9.2 and 9.3;

(d) the Borrowers or any of their Subsidiaries shall fail to perform any other term, covenant or agreement contained in the Loan Documents within fifteen (15) days after the Agent has given written notice of such failure to the Borrowers;

(e) any representation or warranty of the Borrowers or any of their other Subsidiaries in the Loan Documents or in any certificate or notice given in connection therewith shall have been false or misleading in any material respect at the time made or deemed to have been made;

(f) the Borrowers or any of their Subsidiaries shall be in default (after any applicable period of grace or cure period) under any agreement or agreements evidencing Indebtedness owing to any Bank or any affiliates of any Bank, to the Seller, or to any other Person in excess of $500,000 in aggregate principal amount, or shall fail to pay such Indebtedness when due, or within any applicable period of grace;

(g) any of the Loan Documents shall cease to be in full force and effect or if any of the Loan Documents shall be canceled, terminated, revoked or rescinded or the Agent's security interests, mortgages or liens in a substantial portion of the Collateral shall cease to be perfected, or shall cease to have the priority contemplated by the Security Documents, in each case otherwise than in accordance with the terms thereof or with the express prior written agreement, consent or approval of the Banks, or any action at law, suit in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of the Borrowers or any of their Subsidiaries party thereto or any of their respective stockholders, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof;

(h) the Parent, the Borrowers or any of their Subsidiaries (i) shall make an assignment for the benefit of creditors, (ii) shall be adjudicated bankrupt or insolvent, (iii) shall seek the appointment of, or be the subject of an order appointing, a trustee, liquidator or receiver as to all or part of its assets, (iv) shall commence, approve or consent to, any case or proceeding under any bankruptcy, reorganization or similar law and, in the case of an involuntary case or proceeding, such case or proceeding is not dismissed within forty-five (45) days following the commencement thereof, or (v) shall be the subject of an order for relief in an involuntary case under federal bankruptcy law;

(i) the Borrowers or any of their Subsidiaries shall be unable to pay its debts as they mature;

(j) there shall remain undischarged for more than thirty (30) days any final judgment or execution action against the Borrowers or any of their Subsidiaries that, together with other outstanding claims and execution actions against the Borrowers and their Subsidiaries exceeds $500,000 in the aggregate;

(k) the Parent ceases to own legally or beneficially 80% or more of the voting stock of the Borrowers (or, in the event the Parent contributes 100% of the capital stock of InSolutions to SalesLink, 80% or more of the voting stock of SalesLink) or more than 51% of the voting stock of any Subsidiary of the Borrowers, and either of the Borrowers ceases to own legally or beneficially

100% or more of the voting stock of any Guarantor (or, in the event the Parent contributes 100% of the capital stock of InSolution to SalesLink, SalesLink ceases to own 100% of the capital stock of InSolution);

then, and in any such event, so long as the same may be continuing, the Agent may, and upon the request of the Majority Banks shall, by notice in writing to the Borrowers declare all amounts owing with respect to this Credit Agreement, the Notes and the other Loan Documents and all Reimbursement Obligations to be, and they shall thereupon forthwith become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrowers; provided that in the event of any
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Event of Default specified in (S)(S)10.1(h) or 10.1(i), all such amounts shall become immediately due and payable automatically and without any requirement of notice from the Agent or any Bank.

If any one or more of the Events of Default specified in (S)10.1(h) or (S)10.1(i) shall occur, any unused portion of the credit hereunder shall forthwith terminate and each of the Banks shall be relieved of all further obligations to make Loans to the Borrowers and the Agent shall be relieved of all further obligations to issue, extend or renew any Letter of Credit. If any other Event of Default shall have occurred and be continuing, the Agent may and, upon the request of the Majority Banks, shall, by notice to the Borrowers, terminate the unused portion of the credit hereunder, and upon such notice being given such unused portion of the credit hereunder shall terminate immediately and each of the Banks shall be relieved of all further obligations to make Loans and the Agent shall be relieved of all further obligations to issue, extend or renew any Letter of Credit. No termination of the credit hereunder shall relieve the Borrowers, the Guarantors or any other Subsidiaries of the Borrowers of any of the Obligations.

In case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Loans pursuant to (S)10.1, each Bank, if owed any amount with respect to the Loans or the Reimbursement Obligations, may, with the consent of the Majority Banks but not otherwise, proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations to such Bank are evidenced, including as permitted by applicable law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become
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due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of such Bank. No remedy herein conferred upon any Bank or the Agent or the holder of any Note or purchaser of a Letter of Credit Participation is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

In the event that, following the occurrence or during the continuance of any Default or Event of Default, the Agent or any Bank, as the case may be, receives any monies in connection with the enforcement of any of the Security Documents, or otherwise with respect to the realization upon any of the Collateral, such monies shall be distributed for application as follows: (a) first, the payment of, or, as the case may be, the reimbursement of the Agent for or in respect of all reasonable costs, expenses, disbursements and losses which shall have been incurred or sustained by the Agent in connection with the collection of such monies by the Agent, for the exercise, protection or enforcement by the Agent of all or any of the rights, remedies, powers and privileges of the Agent under this Credit Agreement or any of the other Loan Documents or in respect of the Collateral and supports the provision of adequate indemnity to the Agent against all taxes or liens which by law shall have, or may have, priority over the rights of the Agent to such monies; (b) second, to all other Obligations in such order or preference as the Majority Banks may determine; provided, however that distributions in respect of such Obligations
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shall be made (i) pari passu among Obligations with respect to the Agent's fee payable under (S)6 and all other Obligations and (ii) Obligations owing to the Banks with respect to each type of Obligations such as interest, principal, fees and expenses, shall be made among the Banks pro rata; and provided, further, that the Agent may in its discretion make proper allowance to take into account any Obligations not then due and payable; (c) third, upon payment and satisfaction in full or other provisions for payment in full satisfactory to the Banks and the Agent of all of the Obligations, to the payment of any obligations required to be paid pursuant to (S)9-504(1)(c) of the Uniform Commercial Code of the Commonwealth of Massachusetts; and (d) fourth, the excess, if any, shall be returned to the Borrowers or to such other Persons as are entitled thereto.

11. SETOFF.

Regardless of the adequacy of any collateral for the Obligations, any deposits or other sums credited by or due from any of the Banks to the Borrowers or the Guarantors may be applied to or set off following an Event of Default against any principal, interest and any other amounts due from the Borrowers or any Guarantor to the Banks at any time without notice to the Borrowers or the Guarantors, or compliance with any other procedure imposed by statute or otherwise, all of which are hereby expressly waived by the Borrowers and the Guarantors. Each of the Banks agrees with each other Bank that (a) if an amount to be set off is to be applied to Indebtedness of the Borrowers to such Bank, other than Indebtedness evidenced by the Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness evidenced by all such Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, and (b) if such Bank shall receive from any Borrower, whether by voluntary payment, exercise of the right of setoff, counterclaim, cross action, enforcement of the claim evidenced by the Notes held by, or constituting Reimbursement Obligations owed to, such Bank by proceedings against the Borrowers at law or in equity or by proof thereof in

bankruptcy, reorganization, liquidation, receivership or similar proceedings, or otherwise, and shall retain and apply to the payment of the Note or Notes held by, or Reimbursement Obligations owed to, such Bank any amount in excess of its ratable portion of the payments received by all of the Banks with respect to the Notes held by, and Reimbursement Obligations owed to, all of the Banks, such Bank will make such disposition and arrangements with the other Banks with respect to such excess, either by way of distribution, pro tanto assignment of claims, subrogation or otherwise as shall result in each Bank receiving in respect of the Notes held by it or Reimbursement obligations owed it, its proportionate payment as contemplated by this Agreement; provided that if all or any part of such excess payment is thereafter recovered from such Bank, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

12. THE AGENT.

12.1. AUTHORIZATION.

(a) The Agent is authorized to take such action on behalf of each of the Banks and to exercise all such powers as are hereunder and under any of the other Loan Documents and any related documents delegated to the Agent, together with such powers as are reasonably incident thereto, provided that no duties or responsibilities not expressly assumed herein or therein shall be implied to have been assumed by the Agent.

(b) The relationship between the Agent and each of the Banks is that of an independent contractor. The use of the term "Agent" is for convenience only and is used to describe, as a form of convention, the independent contractual relationship between the Agent and each of the Banks. Nothing contained in this Agreement nor the other Loan Documents shall be construed to create an agency, trust or other fiduciary relationship between the Agent and any of the Banks.

(c) As an independent contractor empowered by the Banks to exercise certain rights and perform certain duties and responsibilities hereunder and under the other Loan Documents, the Agent is nevertheless a "representative" of the Banks, as that term is defined in Article 1 of the Uniform Commercial Code, for purposes of actions for the benefit of the Banks and the Agent with respect to all collateral security and guaranties contemplated by the Loan Documents. Such actions include the designation of the Agent as "secured party", "mortgagee" or the like on all financing statements and other documents and instruments, whether recorded or otherwise, relating to the attachment, perfection, priority or enforcement of any security interests, mortgages or deeds of trust in collateral security intended to secure the payment or performance of any of the Obligations, all for the benefit of the Banks and the Agent.

12.2. EMPLOYEES AND AGENTS. The Agent may exercise its powers and execute its duties by or through employees or agents and shall be entitled to take, and to rely on, advice of counsel concerning all matters pertaining to its rights and duties under this Agreement and the other Loan Documents. The Agent may utilize the services of such Persons as the Agent in its sole discretion may reasonably determine, and all reasonable fees and expenses of any such Persons shall be paid by the Borrowers and the Guarantors.

12.3. NO LIABILITY. Neither the Agent nor any of its shareholders, directors, officers or employees nor any other Person assisting them in their duties nor any agent or employee thereof, shall be liable for any waiver, consent or approval given or any action taken, or omitted to be taken, in good faith by it or them hereunder or under any of the other Loan Documents, or in connection herewith or therewith, or be responsible for the consequences of any oversight or error of judgment whatsoever, except that the Agent or such other Person, as the case may be, may be liable for losses due to its willful misconduct or gross negligence.

12.4. NO REPRESENTATIONS. The Agent shall not be responsible for the execution or validity or enforceability of this Agreement, the Notes, the Letters of Credit, any of the other Loan Documents or any instrument at any time constituting, or intended to constitute, collateral security for the Notes, or for the value of any such collateral security or for the validity, enforceability or collectability of any such amounts owing with respect to the Notes, or for any recitals or statements, warranties or representations made herein or in any of the other Loan Documents or in any certificate or instrument hereafter furnished to it by or on behalf of the Guarantors, the Borrowers or any of their Subsidiaries, or be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or in any instrument at any time constituting, or intended to constitute, collateral security for the Notes or to inspect any of the properties, books or records of the Guarantors, the Borrowers or any of their Subsidiaries. The Agent shall not be bound to ascertain whether any notice, consent, waiver or request delivered to it by the Guarantors, the Borrowers or any holder of any of the Notes shall have been duly authorized or is true, accurate and complete. The Agent has not made nor does it now make any representations or warranties, express or implied, nor does it assume any liability to the Banks, with respect to the credit worthiness or financial conditions of the Borrowers or any of their Subsidiaries. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based upon such information and documents as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement.

12.5. PAYMENTS.

12.5.1. PAYMENTS TO AGENT. A payment by the Borrowers or any of the Guarantors to the Agent hereunder or any of the other Loan Documents for the account of any Bank shall constitute a payment to

such Bank. The Agent agrees promptly to distribute to each Bank such Bank's pro rata share of payments received by the Agent for the account of the Banks except as otherwise expressly provided herein or in any of the other Loan Documents.

12.5.2. DISTRIBUTION BY AGENT. If in the opinion of the Agent the distribution of any amount received by it in such capacity hereunder, under the Notes or under any of the other Loan Documents might involve it in liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received and distributed by the Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to the Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

12.5.3. DELINQUENT BANKS. Notwithstanding anything to the contrary contained in this Agreement or any of the other Loan Documents, any Bank that fails (a) to make available to the Agent its pro rata share of any Loan or to purchase any Letter of Credit Participation or (ii) to comply with the provisions of (S)11 with respect to making dispositions and arrangements with the other Banks, where such Bank's share of any payment received, whether by setoff or otherwise, is in excess of its pro rata share of such payments due and payable to all of the Banks, in each case as, when and to the full extent required by the provisions of this Agreement, shall be deemed delinquent (a "Delinquent Bank") and shall be deemed a Delinquent Bank until such time as such delinquency is satisfied. A Delinquent Bank shall be deemed to have assigned any and all payments due to it from the Borrowers and the Guarantors, whether on account of outstanding Loans, Unpaid Reimbursement Obligations, interest, fees or otherwise, to the remaining nondelinquent Banks for application to, and reduction of, their respective pro rata shares of all outstanding Loans and Unpaid Reimbursement Obligations. The Delinquent Bank hereby authorizes the Agent to distribute such payments to the nondelinquent Banks in proportion to their respective pro rata shares of all outstanding Loans and Unpaid Reimbursement Obligations. A Delinquent Bank shall be deemed to have satisfied in full a delinquency when and if, as a result of application of the assigned payments to all outstanding Loans and Unpaid Reimbursement Obligations of the nondelinquent Banks, the Banks' respective pro rata shares of all outstanding Loans and Unpaid Reimbursement Obligations have returned to those in effect immediately prior to such delinquency and without giving effect to the nonpayment causing such delinquency.

12.6. HOLDERS OF NOTES. The Agent may deem and treat the payee of any Note or the purchaser of any Letter of Credit Participation as the absolute owner or purchaser thereof for all purposes hereof until it shall have been

furnished in writing with a different name by such payee or by a subsequent holder, assignee or transferee.

12.7. INDEMNITY. The Banks ratably agree hereby to indemnify and hold harmless the Agent from and against any and all claims, actions and suits (whether groundless or otherwise), losses, damages, costs, expenses (including any expenses for which the Agent has not been reimbursed by the Borrowers as required by (S)14), and liabilities of every nature and character arising out of or related to this Agreement, the Notes, or any of the other Loan Documents or the transactions contemplated or evidenced hereby or thereby, or the Agent's actions taken hereunder or thereunder, except to the extent that any of the same shall be directly caused by the Agent's willful misconduct or gross negligence.

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

12.9. RESIGNATION. The Agent may resign at any time by giving sixty (60) days prior written notice thereof to the Banks and the Borrowers. Upon any such resignation, the Majority Banks shall have the right to appoint a successor Agent. Unless a Default or Event of Default shall have occurred and be continuing, such successor Agent shall be reasonably acceptable to the Borrowers. If no successor Agent shall have been so appointed by the Majority Banks and shall have accepted such appointment within thirty (30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a financial institution having a rating of not less than A or its equivalent by Standard & Poor's Corporation. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation, the provisions of this Agreement and the other Loan Documents shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent.

12.10. NOTIFICATION OF DEFAULTS AND EVENTS OF DEFAULT. Each Bank hereby agrees that, upon learning of the existence of a Default or an Event of Default, it shall promptly notify the Agent thereof. The Agent hereby agrees that upon receipt of any notice under this (S)12.10 it shall promptly notify the other Banks of the existence of such Default or Event of Default.

13. ASSIGNMENT AND PARTICIPATION.

13.1. CONDITIONS TO ASSIGNMENT BY BANKS. Except as provided herein, each Bank may assign to one or more Eligible Assignees all or a portion

of its interests, rights and obligations under this Credit Agreement (including all or a portion of its Commitment Percentage and Commitment and the same portion of the Loans at the time owing to it, the Notes held by it and its participating interest in the risk relating to any Letters of Credit); provided that (a) each of the Agent and, unless a Default or Event of Default shall have occurred and be continuing, the Borrowers shall have given its prior written consent to such assignment, which consent, in the case of the Borrowers, will not be unreasonably withheld, (b) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Bank's rights and obligations under this Agreement, (c) each assignment shall be in an amount that is a whole multiple of $1,000,000 and (d) the parties to such assignment shall execute and deliver to the Agent, for recording in the Register (as hereinafter defined), an Assignment and Acceptance, in form and substance satisfactory to the Agent (an "Assignment and Acceptance"), together with any Notes subject to such assignment. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof, (i) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and (ii) the assigning Bank shall, to the extent provided in such assignment and upon payment to the Agent of the registration fee referred to in (S)13.3, be released from its obligations under this Agreement.

13.2. CERTAIN REPRESENTATIONS AND WARRANTIES; LIMITATIONS; COVENANTS. By executing and delivering an Assignment and Acceptance, the parties to the assignment thereunder confirm to and agree with each other and the other parties hereto as follows:

(a) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, the assigning Bank makes no representation or warranty, express or implied, and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto,

(b) the assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrowers and their Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations, or the performance or observance by the Guarantors, the Borrowers and their Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations of any of their obligations under this Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto;

(c) such assignee confirms that it has received a copy of this Credit Agreement, together with copies of the most recent financial statements referred to in (S)9.1 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(d) such assignee will, independently and without reliance upon the assigning Bank, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(e) such assignee represents and warrants that it is an Eligible Assignee;

(f) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto;

(g) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank;

(h) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; and

(i) such assignee acknowledges that it has made arrangements with the assigning Bank satisfactory to such assignee with respect to its pro rata share of the Letter of Credit Fees in respect of any outstanding Letter of Credit.

13.3. REGISTER. The Agent shall maintain a copy of each Assignment and Acceptance delivered to it and a register or similar list (the "Register") for the recordation of the names and addresses of the Banks and the Commitment Percentage of, and principal amount of the Revolving Credit Loans owing to and Letter of Credit Participations purchased by, the Banks from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrowers, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Credit Agreement. The Register shall be available for inspection by the Borrowers and the Banks at any reasonable time and from time to time upon reasonable prior notice. Upon each such recordation, the assigning Bank agrees to pay to the Agent a registration fee in the sum of $2,500.

13.4. NEW NOTES. Upon its receipt of an Assignment and Acceptance executed by the parties to such assignment, together with each Note subject to

such assignment, the Agent shall (a) record the information contained therein in the Register, and (b) give prompt notice thereof to the Borrowers and the Banks (other than the assigning Bank). Within five (5) Business Days after receipt of such notice, the Borrowers, at their own expense, shall execute and deliver to the Agent, in exchange for each surrendered Note, a new Note to the order of such Eligible Assignee in an amount equal to the amount assumed by such Eligible Assignee pursuant to such Assignment and Acceptance and, if the assigning Bank has retained some portion of its obligations hereunder, a new Note to the order of the assigning Bank in an amount equal to the amount retained by it hereunder. Such new Notes shall provide that they are replacements for the surrendered Notes, shall be in an aggregate principal amount equal to the aggregate principal amount of the surrendered Notes, shall be dated the effective date of such in Assignment and Acceptance and shall otherwise be substantially the form of the assigned Notes. Within five (5) days of issuance of any new Notes pursuant to this (S)13.4, the Borrowers shall deliver an opinion of counsel, addressed to the Banks and the Agent, relating to the due authorization, execution and delivery of such new Notes and the legality, validity and binding effect thereof, in form and substance satisfactory to the Banks. The surrendered Notes shall be cancelled and returned to the Borrowers.

13.5. PARTICIPATIONS. Each Bank may sell participations to one or more banks or other entities in all or a portion of such Bank's rights and obligations under this Agreement and the other Loan Documents; provided that (a) any such sale or participation shall not affect the rights and duties of the selling Bank hereunder to the Borrowers, and (b) the only rights granted to the participant pursuant to such participation arrangements with respect to waivers, amendments or modifications of the Loan Documents shall be the rights to approve waivers, amendments or modifications that would reduce the principal of or the interest rate on any Loans, extend the term or increase the amount of the Commitment of such Bank as it relates to such participant, reduce the amount of any commitment fees or Letter of Credit Fees to which such participant is entitled or extend any regularly scheduled payment date for principal or interest.

13.6. DISCLOSURE. Each of the Borrowers and the Guarantors agrees that in addition to disclosures made in accordance with standard and customary banking practices any Bank may disclose information obtained by such Bank pursuant to this Agreement to assignees or participants and potential assignees or participants hereunder; provided that such assignees or participants or potential assignees or participants shall agree (a) to treat in confidence such information unless such information otherwise becomes public knowledge, (b) not to disclose such information to a third party, except as required by law or legal process and (c) not to make use of such information for purposes of transactions unrelated to such contemplated assignment or participation.

13.7. ASSIGNEE OR PARTICIPANT AFFILIATED WITH THE BORROWERS. If any assignee Bank is an Affiliate of either the Guarantors or the Borrowers, then

any such assignee Bank shall have no right to vote as a Bank hereunder or under any of the other Loan Documents for purposes of granting consents or waivers or for purposes of agreeing to amendments or other modifications to any of the Loan Documents or for purposes of making requests to the Agent pursuant to (S)10.1 or (S)10.2, and the determination of the Majority Banks shall for all purposes of this Agreement and the other Loan Documents be made without regard to such assignee Bank's interest in any of the Loans. If any Bank sells a participating interest in any of the Loans or Reimbursement Obligations to a participant, and such participant is either a Guarantor or a Borrower or an Affiliate of either the Guarantors or the Borrowers, then such transferor Bank shall promptly notify the Agent of the sale of such participation. A transferor Bank shall have no right to vote as a Bank hereunder or under any of the other Loan Documents for purposes of granting consents or waivers or for purposes of agreeing to amendments or modifications to any of the Loan Documents or for purposes of making requests to the Agent pursuant to (S)13.1 or (S)13.2 to the extent that such participation is beneficially owned by either the Guarantors or the Borrowers or any Affiliate of either the Guarantors or the Borrowers, and the determination of the Majority Banks shall for all purposes of this Agreement and the other Loan Documents be made without regard to the interest of such transferor Bank in the Loans to the extent of such participation.

13.8. MISCELLANEOUS ASSIGNMENT PROVISIONS. Any assigning Bank shall retain its rights to be indemnified pursuant to (S)14 with respect to any claims or actions arising prior to the date of such assignment. If any assignee Bank is not incorporated under the laws of the United States of America or any state thereof, it shall, prior to the date on which any interest or fees are payable hereunder or under any of the other Loan Documents for its account, deliver to the Borrowers and the Agent certification as to its exemption from deduction or withholding of any United States federal income taxes. Anything contained in this (S)13 to the contrary notwithstanding, any Bank may at any time pledge all or any portion of its interest and rights under this Agreement (including all or any portion of its Notes) to any of the twelve Federal Reserve Banks organized under (S)4 of the Federal Reserve Act, 12 U.S.C. (S)341. No such pledge or the enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents.

13.9. ASSIGNMENT BY BORROWERS. Neither of the Guarantors nor Borrowers shall assign or transfer any of its rights or obligations under any of the Loan Documents without the prior written consent of each of the Banks.

14. MISCELLANEOUS.

Each of the Guarantors and the Borrowers jointly and severally agrees to indemnify and hold harmless the Agent and the Banks and their officers, employees, affiliates, agents, and controlling persons from and against all claims, damages, liabilities and losses of every kind arising out of the Loan Documents, including without limitation, against those in respect of the application of Environmental Laws to the Guarantors, the Borrowers and their

other Subsidiaries absent the gross negligence or willful misconduct of the Agent and the Banks. The Borrowers shall pay to the Agent and the Banks promptly on demand all costs and expenses (including any taxes and reasonable legal and other professional fees and fees of its commercial finance examiner) incurred by the Agent and the Banks in connection with the preparation, negotiation, execution, amendment, administration or enforcement of any of the Loan Documents. Any communication to be made hereunder shall (a) be made in writing, but unless otherwise stated, may be made by telex, facsimile transmission, overnight delivery or letter, and (b) be made or delivered to the address of the party receiving notice which is identified with its signature below (unless such party has by five (5) days written notice specified another address), and shall be deemed made or delivered, when dispatched, left at that address, one (1) day after given to an overnight delivery service, or five (5) days after being mailed, postage prepaid, to such address. This Agreement shall be binding upon and inure to the benefit of each party hereto and its successors and assigns, but neither of the Guarantors nor the Borrowers may assign their rights or obligations hereunder. This Agreement may not be amended or waived except by a written instrument signed by the Borrowers, the Agent and the Majority Banks, and any such amendment or waiver shall be effective only for the specific purpose given; provided, however, notwithstanding the foregoing, the
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rate of interest on the Notes, the term of the Notes, the Commitment amounts and the amount of the fees hereunder, the definition of Majority Banks and this sentence of (S)14 shall not be changed without the written consent of all the Banks, and the amount of the agent's fee and (S)12 may not be amended without the consent of the Agent. No failure or delay by the Bank to exercise any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other right, power or privilege. The provisions of this Agreement are severable and if any one provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, such invalidity or unenforceability shall affect only such provision in such jurisdiction. This Agreement, together with all Schedules hereto, expresses the entire understanding of the parties with respect to the transactions contemplated hereby. This Agreement and any amendment hereby may be executed in several counterparts, each of which shall be an original, and all of which shall constitute one agreement. In proving this Agreement, it shall not be necessary to produce more than one such counterpart executed by the party to be charged. THIS AGREEMENT AND THE NOTES ARE CONTRACTS UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL BE CONSTRUED IN ACCORDANCE THEREWITH AND GOVERNED THEREBY. EACH OF THE GUARANTORS AND THE BORROWERS AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF ANY OF THE LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN. Each of the Guarantors and the Borrowers, as an inducement to the Bank to enter into this Agreement, hereby waives its right to a jury trial with respect to any action arising in connection with any Loan Document.

15. SECURITY; GUARANTIES.

15.1. GUARANTIES AND SECURITY OF BORROWERS. The Obligations shall also be guaranteed pursuant to the terms of the Guaranty. The obligations of the Guarantors under the Guaranty shall in turn be secured by a perfected first priority security interest (subject only to Permitted Liens entitled to priority under applicable law) in all of the assets of each such Guarantor, whether now owned or hereafter acquired, pursuant to the terms of the Security Documents to which each such Guarantor is a party.

15.2. GUARANTIES AND SECURITY OF GUARANTORS. The Obligations shall also be guaranteed pursuant to the terms of the Guaranty. The obligations of the Guarantors under the Guaranty shall in turn be secured by a perfected first priority security interest (subject only to Permitted Liens entitled to priority under applicable law) in all of the assets of the Guarantors, whether now owned or hereafter acquired, pursuant to the terms of the Security Documents to which each such Guarantor is a party.

15.3. JOINT AND SEVERAL LIABILITY OF THE BORROWERS.

15.3.1. JOINT and Several Liability. Each of the Borrowers is and shall be jointly and severally liable for each and every Obligation of any of the Borrowers arising or incurred under or in respect of this Agreement or any of the other Loan Documents or in respect of any of the Loans made or Reimbursement Obligations incurred on any of the Notes, any Letter of Credit Application, any Letter of Credit or other instruments at any time evidencing any thereof. Each of the Borrowers agrees that it shall be jointly and severally liable for all fees, as well as each of the other Obligations of any of the Borrowers arising or incurred under or in respect of this Credit Agreement or any of the other Loan Documents.

15.3.2. CONSIDERATION. Each of the Borrowers is accepting joint and several liability hereunder in consideration of the financial accommodations to be provided by the Agents and the Banks under this Agreement, for the mutual benefit, directly or indirectly, of each of the Borrowers and in consideration of the undertakings of each of the Borrowers to accept joint and several liability for the obligations of each of them.

15.3.3. CO-DEBTORS. Each of the Borrowers jointly and severally hereby irrevocably and unconditionally accepts, not merely as a surety but as a co-debtor, joint and several liability with the other Borrowers with respect to the payment and performance of all of the Obligations arising under this Agreement and the other Loan Documents, it being the intention of the parties hereto that all the Obligations shall be the joint

and several obligations of each of the Borrowers without preferences or distinction among them.

15.3.4. PAYMENT. If and to the extent that any of the Borrowers shall fail to make any payment with respect to any of the Obligations hereunder as and when due or to perform any of such Obligations in accordance with the terms thereof, then in each such event, the other Borrowers will make such payment with respect to, or perform, such Obligation.

15.3.5. RECOURSE. The obligations of each Borrower under the provisions of this (S)15.3.5 constitute full recourse obligations of such Borrower, enforceable against it to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or the other Loan Documents against any Obligor or any other circumstances whatsoever.

15.3.6. WAIVERS. Except as otherwise expressly provided herein, each Borrower hereby waives promptness, diligences, presentment, demand, protest, notice of acceptance of its joint and several liability, notice of any and all advances of the Loans made under this Agreement and the Notes, notice of occurrence of any Default or Event of Default (except to the extent notice is expressly required to be given pursuant to the terms of this Agreement or any of the other Loan Documents), or of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by the Agents or the Lenders under or in respect of any of the Obligations hereunder, any requirement of diligence and, generally, all demands, notices and other formalities of every kind in connection with this Credit Agreement and the other Loan Documents. Each Borrower hereby waives all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshaling of assets of the Borrowers and any other entity or Person primarily or secondarily liable with respect to any of the Obligations, and all suretyship defenses generally. Each Borrower hereby assents to, and waives notice of, any extension or postponement of the time for the payment, or place or manner for payment, compromise, refinancing, consolidation or renewals of any of the Obligations hereunder, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Agent and the Banks at any time or times in respect of any default by any Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Agreement and the other Loan Documents, any and all other indulgences whatsoever by the Agent and the Banks in respect of any of the Obligations hereunder, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of such Obligations or the addition, substitution or release, in whole or in part, of any Borrower or any other entity or Person primarily or secondarily liable for any Obligation. Such Borrower further

agrees that its Obligations shall not be released or discharged, in whole or in part, or otherwise affected by the adequacy of any rights which the Agent or any Bank may have against any collateral security or other means of obtaining repayment of any of the Obligations, the impairment of any collateral security securing the Obligations, including, without limitation, the failure to protect or preserve any rights which the Agent or any Bank may have in such collateral security or the substitution, exchange, surrender, release, loss or destruction of any such collateral security, any other act or omission which might in any manner or to the extent vary the risk of the Borrower, or otherwise operate as a release or discharge of such Borrower, all of which may be done without notice to such Borrower; provided, however, that the foregoing shall in no way be deemed
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to create commercially unreasonable standards as to the Agent's duties as secured party under the Loan Documents (as such rights and duties are set forth therein). If for any reason any of the other Borrowers has no legal existence or is under no legal obligation to discharge any of the Obligations, or if any of the Obligations have become irrecoverable from any of the other Borrowers by reason of such other Borrower's insolvency, bankruptcy or reorganization or by other operation of law or for any reason, this Agreement and the other Loan Documents to which it is a party shall nevertheless be binding on such Borrower to the same extent as if such Borrower at all times had been the sole obligor on such Obligations. Without limiting the generality of the foregoing, each Borrower assents to any other action or delay in acting or failure to act on the part of the Agent and the Banks, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder which might, but for the provisions of this (S)15.3.6, afford grounds for terminating, discharging or relieving such Borrower, in whole or in part, from any of its obligations under this (S)15.3.6 shall not be discharged except by performance and then only to the extent of such performance. The Obligations of each Borrower under this (S)15.3.6 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any reconstruction or similar proceeding with respect to any Borrower, or any of the Banks. The joint and several liability of the Borrowers hereunder shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, membership, constitution or place of formation of any Borrower or the Banks.

15.3.7. ENFORCEMENT. The provisions of this (S)15.3.7 are made for
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the benefit of each of the Agent and the Banks and its successors and assigns, and may be enforced by it from time to time against any of the Borrowers as often as occasion therefor may arise and without requirement on the part of the Agent and the Banks first to marshall any of their claims or to exercise any of their rights against the other Borrowers or to exhaust any remedies available to it against the other

Borrowers or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this (S)15.3.7 shall remain in effect until all the Obligations hereunder shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by the Agent or the Banks upon the insolvency, bankruptcy or reorganization of the Borrowers, or otherwise, the provisions of this (S)15.3.7 will forthwith be reinstated in effect as though such payment had not been made.

15.3.8. CONTRIBUTION. To the extent any Borrower makes a payment hereunder in excess of the aggregate amount of the benefit received by such Borrower in respect of the extensions of credit under the Agreement (the "Benefit Amount"), then such Borrower, after the payment in full in cash of all of the Obligations, shall be entitled to recover from each other Borrower such excess payment, pro rata in accordance with the ratio of the Benefit Amount received by each such other Borrower to the total Benefit Amounts received by all Borrowers, and the right to such recovery shall be deemed to be in asset and property of such Borrower so funding; provided that all such rights to recovery shall be subordinate and junior in right of payment to the final and indefeasible repayment in full in cash of all of the Obligations.

16. TRANSITIONAL ARRANGEMENTS.

16.1. ORIGINAL CREDIT AGREEMENT SUPERSEDED. This Agreement shall on the Closing Date supersede the Original Credit Agreement in its entirety, except as provided in this (S)16. On the Closing Date, the rights and obligations of the parties evidenced by the Original Credit Agreement shall be evidenced by this Agreement and the other Loan Documents, the "Revolving Credit Loans" and "Term Loans" as defined in the Original Credit Agreement shall be converted into Revolving Credit Loans and Term Loans as defined herein and all outstanding letters of credit issued by the Agent for the account of SalesLink or the Parent prior to the Closing Date shall, for purposes of this Credit Agreement, be Letters of Credit hereunder.

16.2. RETURN AND CANCELLATION OF NOTES. As soon as reasonably practicable after its receipt of its Notes hereunder on the Closing Date, the Banks will promptly return to SalesLink, marked "Substituted" or "Cancelled", as the case may be, any promissory notes of SalesLink held by the Banks pursuant to the Original Credit Agreement.

16.3. INTEREST AND FEES UNDER SUPERSEDED AGREEMENT. All interest and fees and expenses, if any, owing or accruing under or in respect of the Original Credit Agreement though the Closing Date shall be calculated as of the Closing Date (prorated in the case of any fractional periods) and shall be paid on the Closing Date. Commencing on the Closing Date, the commitment fees shall be payable by the Borrowers to the Agent for the accounts of the Banks in accordance with (S)2 hereof.

IN WITNESS WHEREOF, the undersigned have duly executed this Amended and Restated Revolving Credit and Term Loan Agreement as a sealed instrument as of the date first above written.

SALESLINK CORPORATION

By:_____
Name:
Title:

Address:

25 Drydock Avenue
Boston, Massachusetts 02210
Tel: (617)
Fax: (617)

INSOLUTIONS INCORPORATED

By:_____
Name:
Title:

Address:

Tel:
Fax:

PACIFIC DIRECT MARKETING CORP.

By:_____
Name:
Title:

Address:

8852 Thornton Avenue
Newark, California
Tel:
Fax:

BANKBOSTON, N.A., individually and as Agent

By:_____
Name:
Title:

Address:

100 Federal Street
High Technology Division
Boston, Massachusetts 02110
Tel:
Fax: (617)434-0819

IMPERIAL BANK

By:_____
Name:
Title:

Address:

Tel:
Fax:

EXHIBIT 10.58

AMENDED AND RESTATED TERM NOTE

$5,606,383.01 as of June 11, 1998

FOR VALUE RECEIVED, the undersigned SALESLINK CORPORATION, a Delaware corporation ("SalesLink") and INSOLUTIONS INCORPORATED, a Delaware corporation ("InSolutions", and, collectively with SalesLink, the "Borrowers"), hereby jointly and severally promise to pay to the order of IMPERIAL BANK, a national banking association (the "Bank") at the Agent's Head Office (as defined in the Credit Agreement referred to below):

(a) prior to or on the Term Loan Maturity Date the principal amount of FIVE MILLION SIX HUNDRED SIX THOUSAND THREE HUNDRED EIGHTY THREE DOLLARS AND ONE CENT ($5,606,383.01) evidencing the Term Loan made by the Bank to the BorrowerS pursuant to the Amended and Restated Revolving Credit and Term Loan Agreement dated as of June 11, 1998 (as amended and in effect from time to time, the "Credit Agreement"), by and among the Borrower, the Bank and other parties thereto;

(b) the principal outstanding hereunder from time to time at the times provided in the Credit Agreement; and

(c) interest from the date hereof on the principal amount from time to time outstanding to and including the maturity hereof at the rates and terms and in all cases in accordance with the terms of the Credit Agreement.

This Note constitutes the amendment and restatement in its entirety of the Term Note issued by SalesLink to the Bank in the original principal amount of $1,774,193.55, dated as of March 14, 1997 (the "Original Note") and is issued in substitution therefor and an amendment and replacement thereof. Nothing herein or in any other document shall be construed to constitute payment of the Original Note or to release or terminate any guaranty, lien, mortgage, pledge or other security interest in favor of the Bank.

This Note evidences borrowings under and has been issued by the Borrowers in accordance with the terms of the Credit Agreement. The Bank and any holder hereof is entitled to the benefits of the Credit Agreement, the Security Documents and the other Loan Documents, and may enforce the agreements of the Borrowers contained therein, and any holder hereof may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the respective terms thereof. All

capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

Each Borrower irrevocably authorizes the Bank to make or cause to be made, at the time of receipt of any payment of principal of this Note, an appropriate notation on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, reflecting the receipt of such payment. The outstanding amount of the Term Loan set forth on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, maintained by the Bank with respect to the Term Loan shall be prima facie evidence of the principal amount of the Term Loan owing and unpaid to the Bank, but the failure to record, or any error in so recording, any such amount on any such grid, continuation or other record shall not limit or otherwise affect the joint and several obligations of the Borrowers hereunder or under the Credit Agreement to make payments of principal of and interest on this Note when due.

Each Borrower has the right in certain circumstances and the obligation under certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

No delay or omission on the part of the Bank or any holder hereof in exercising any right hereunder shall operate as a waiver of such right or of any other rights of the Bank or such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar or waiver of the same or any other right on any future occasion.

The Borrowers and every endorser and guarantor of this Note or the obligation represented hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

THIS NOTE AND THE JOINT AND SEVERAL OBLIGATIONS OF THE BORROWERS HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT

SITTING THEREIN AND THE CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWERS BY MAIL AT THE ADDRESS SPECIFIED BENEATH THE BORROWERS' SIGNATURE ON THE SIGNATURE PAGE OF THE CREDIT AGREEMENT. EACH BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

This Note shall be deemed to take effect as a sealed instrument under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the undersigned has caused this Note to be signed in its corporate name and its corporate seal to be impressed thereon by its duly authorized officer as of the day and year first above written.

[Corporate Seal]

SALESLINK CORPORATION

By:_____
Title:

INSOLUTIONS INCORPORATED

By:_____
Title:

EXHIBIT 10.59

AMENDED AND RESTATED TERM NOTE

$9,893,616.99 as of June 11, 1998

FOR VALUE RECEIVED, the undersigned SALESLINK CORPORATION, a Delaware corporation ("SalesLink") and INSOLUTIONS INCORPORATED, a Delaware corporation ("InSolutions", and, collectively with SalesLink, the "Borrowers"), hereby jointly and severally promise to pay to the order of BANKBOSTON, N.A., a national banking association (the "Bank") at the Agent's Head Office (as defined in the Credit Agreement referred to below):

(a) prior to or on the Term Loan Maturity Date the principal amount of NINE MILLION EIGHT HUNDRED NINETY THREE THOUSAND SIX HUNDRED SIXTEEN DOLLARS AND NINETY NINE CENTS ($9,893,616.99) evidencing the Term Loan made by the Bank to the BorrowerS pursuant to the Amended and Restated Revolving Credit and Term Loan Agreement dated as of June 11, 1998 (as amended and in effect from time to time, the "Credit Agreement"), by and among the Borrower, the Bank and other parties thereto;

(b) the principal outstanding hereunder from time to time at the times provided in the Credit Agreement; and

(c) interest from the date hereof on the principal amount from time to time outstanding to and including the maturity hereof at the rates and terms and in all cases in accordance with the terms of the Credit Agreement.

This Note constitutes the amendment and restatement in its entirety of the Term Note issued by SalesLink to the Bank in the original principal amount of $3,725,806.45, dated as of March 14, 1997 (the "Original Note") and is issued in substitution therefor and an amendment and replacement thereof. Nothing herein or in any other document shall be construed to constitute payment of the Original Note or to release or terminate any guaranty, lien, mortgage, pledge or other security interest in favor of the Bank.

This Note evidences borrowings under and has been issued by the Borrowers in accordance with the terms of the Credit Agreement. The Bank and any holder hereof is entitled to the benefits of the Credit Agreement, the Security Documents and the other Loan Documents, and may enforce the agreements of the Borrowers contained therein, and any holder hereof may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the respective terms thereof. All

capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

Each Borrower irrevocably authorizes the Bank to make or cause to be made, at the time of receipt of any payment of principal of this Note, an appropriate notation on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, reflecting the receipt of such payment. The outstanding amount of the Term Loan set forth on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, maintained by the Bank with respect to the Term Loan shall be prima facie evidence of the principal amount of the Term Loan owing and unpaid to the Bank, but the failure to record, or any error in so recording, any such amount on any such grid, continuation or other record shall not limit or otherwise affect the joint and several obligations of the Borrowers hereunder or under the Credit Agreement to make payments of principal of and interest on this Note when due.

Each Borrower has the right in certain circumstances and the obligation under certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

No delay or omission on the part of the Bank or any holder hereof in exercising any right hereunder shall operate as a waiver of such right or of any other rights of the Bank or such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar or waiver of the same or any other right on any future occasion.

The Borrowers and every endorser and guarantor of this Note or the obligation represented hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

THIS NOTE AND THE JOINT AND SEVERAL OBLIGATIONS OF THE BORROWERS HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT

SITTING THEREIN AND THE CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWERS BY MAIL AT THE ADDRESS SPECIFIED BENEATH THE BORROWERS' SIGNATURE ON THE SIGNATURE PAGE OF THE CREDIT AGREEMENT. EACH BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

This Note shall be deemed to take effect as a sealed instrument under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the undersigned has caused this Note to be signed in its corporate name and its corporate seal to be impressed thereon by its duly authorized officer as of the day and year first above written.

[Corporate Seal]

SALESLINK CORPORATION

By:_____
Title:

INSOLUTIONS INCORPORATED

By:_____
Title:

EXHIBIT 10.60

FOURTH AMENDED AND RESTATED
REVOLVING CREDIT NOTE

$3,255,319.17 as of June 11, 1998

FOR VALUE RECEIVED, the undersigned SALESLINK CORPORATION a Delaware corporation ("SalesLink") and INSOLUTIONS INCORPORATED ("InSolutions" and, collectively with SalesLink, the "Borrowers"), hereby jointly and severally promise to pay to the order of IMPERIAL BANK, a national banking association (the "Bank") at the Agent's Head Office (as such term is defined in the Credit Agreement referred to below):

(a) prior to or on the Revolving Credit Loan Maturity Date the principal amount of THREE MILLION TWO HUNDRED FIFTY-FIVE THOUSAND THREE HUNDRED NINETEEN DOLLARS AND SEVENTEEN CENTS ($3,255,319.17) or, if less, the aggregate unpaid principal amount of Revolving Credit Loans advanced by the Bank to the Borrowesr pursuant to the Amended and Restated Revolving Credit and Term Loan Agreement dated as of June 11, 1998 (as amended and in effect from time to time, the "Credit Agreement"), among the Borrowers, the Bank and other parties thereto;

(b) the principal outstanding hereunder from time to time at the times provided in the Credit Agreement; and

(c) interest on the principal balance hereof from time to time outstanding from the Closing Date under the Credit Agreement through and including the maturity date hereof at the times and at the rate provided in the Credit Agreement.

This Note constitutes the second amendment and restatement in its entirety of the Third Amended and Restated Revolving Credit Note issued by SalesLink to the Bank in the original principal amount of $1,774,193.55, dated as of March 31, 1997 (the "Original Note") and is issued in substitution therefor and an amendment and replacement thereof. Nothing herein or in any other document shall be construed to constitute payment of the Original Note or to release or terminate any guaranty, lien, mortgage, pledge or other security interest in favor of the Bank.

This Note evidences borrowings under and has been issued by the Borrowers on a joint and several basis and in accordance with the terms of the Credit Agreement. The Bank and any holder hereof is entitled to the benefits of the Credit Agreement, the Security Documents and the other Loan Documents, and may enforce the agreements of the Borrowers contained therein, and any holder hereof may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the respective

terms thereof. All capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

Each Borrower irrevocably authorizes the Bank to make or cause to be made, at or about the time of the Drawdown Date of any Revolving Credit Loan or at the time of receipt of any payment of principal of this Note, an appropriate notation on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, reflecting the making of such Revolving Credit Loan or (as the case may be) the receipt of such payment. The outstanding amount of the Revolving Credit Loans set forth on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, maintained by the Bank with respect to any Revolving Credit Loans shall be prima facie evidence of the principal amount
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thereof owing and unpaid to the Bank, but the failure to record, or any error in so recording, any such amount on any such grid, continuation or other record shall not limit or otherwise affect the joint and several obligations of the Borrowers hereunder or under the Credit Agreement to make payments of principal of and interest on this Note when due.

Each Borrower has the right in certain circumstances and the obligation under certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

No delay or omission on the part of the Bank or any holder hereof in exercising any right hereunder shall operate as a waiver of such right or of any other rights of the Bank or such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar or waiver of the same or any other right on any further occasion.

The Borrowers and every endorser and guarantor of this Note or the obligation represented hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

THIS NOTE AND THE JOINT AND SEVERAL OBLIGATIONS OF THE BORROWERS HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF

THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND THE CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWERS BY MAIL AT THE ADDRESS SPECIFIED BENEATH THE BORROWERS' SIGNATURE ON THE SIGNATURE PAGE OF THE CREDIT AGREEMENT. EACH BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

This Note shall be deemed to take effect as a sealed instrument under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the undersigned has caused this Revolving Credit Note to be signed in its corporate name and its corporate seal to be impressed thereon by its duly authorized officer as of the day and year first above written.

[Corporate Seal]

SALESLINK CORPORATION

By:_____
Title:

INSOLUTIONS INCORPORATED

By:_____
Title:

Date	Amount of Loan	Amount of Principal Paid or Prepaid	Balance of Principal Unpaid	Notation Made By:

EXHIBIT 10.61

FOURTH AMENDED AND RESTATED
REVOLVING CREDIT NOTE

$5,744,680.83 as of June 11, 1998

FOR VALUE RECEIVED, the undersigned SALESLINK CORPORATION a Delaware corporation ("SalesLink") and INSOLUTIONS INCORPORATED ("InSolutions" and, collectively with SalesLink, the "Borrowers"), hereby jointly and severally promise to pay to the order of BANKBOSTON, N.A. a national banking association (the "Bank") at the Agent's Head Office (as such term is defined in the Credit Agreement referred to below):

(a) prior to or on the Revolving Credit Loan Maturity Date the principal amount of FIVE MILLION SEVEN HUNDRED FORTY-FOUR THOUSAND SIX HUNDRED EIGHTY DOLLARS AND EIGHTY-THREE CENTS ($5,744,680.83) or, if less, the aggregate unpaid principal amount of Revolving Credit Loans advanced by the Bank to the Borrowesr pursuant to the Amended and Restated Revolving Credit and Term Loan Agreement dated as of June 11, 1998 (as amended and in effect from time to time, the "Credit Agreement"), among the Borrowers, the Bank and other parties thereto;

(b) the principal outstanding hereunder from time to time at the times provided in the Credit Agreement; and

(c) interest on the principal balance hereof from time to time outstanding from the Closing Date under the Credit Agreement through and including the maturity date hereof at the times and at the rate provided in the Credit Agreement.

This Note constitutes the second amendment and restatement in its entirety of the Third Amended and Restated Revolving Credit Note issued by SalesLink to the Bank in the original principal amount of $1,774,193.55, dated as of March 31, 1997 (the "Original Note") and is issued in substitution therefor and an amendment and replacement thereof. Nothing herein or in any other document shall be construed to constitute payment of the Original Note or to release or terminate any guaranty, lien, mortgage, pledge or other security interest in favor of the Bank.

This Note evidences borrowings under and has been issued by the Borrowers on a joint and several basis and in accordance with the terms of the Credit Agreement. The Bank and any holder hereof is entitled to the benefits of the Credit Agreement, the Security Documents and the other Loan Documents, and may enforce the agreements of the Borrowers contained therein, and any holder hereof may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the respective

terms thereof. All capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

Each Borrower irrevocably authorizes the Bank to make or cause to be made, at or about the time of the Drawdown Date of any Revolving Credit Loan or at the time of receipt of any payment of principal of this Note, an appropriate notation on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, reflecting the making of such Revolving Credit Loan or (as the case may be) the receipt of such payment. The outstanding amount of the Revolving Credit Loans set forth on the grid attached to this Note, or the continuation of such grid, or any other similar record, including computer records, maintained by the Bank with respect to any Revolving Credit Loans shall be prima facie evidence of the principal amount
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thereof owing and unpaid to the Bank, but the failure to record, or any error in so recording, any such amount on any such grid, continuation or other record shall not limit or otherwise affect the joint and several obligations of the Borrowers hereunder or under the Credit Agreement to make payments of principal of and interest on this Note when due.

Each Borrower has the right in certain circumstances and the obligation under certain other circumstances to prepay the whole or part of the principal of this Note on the terms and conditions specified in the Credit Agreement.

If any one or more of the Events of Default shall occur, the entire unpaid principal amount of this Note and all of the unpaid interest accrued thereon may become or be declared due and payable in the manner and with the effect provided in the Credit Agreement.

No delay or omission on the part of the Bank or any holder hereof in exercising any right hereunder shall operate as a waiver of such right or of any other rights of the Bank or such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar or waiver of the same or any other right on any further occasion.

The Borrowers and every endorser and guarantor of this Note or the obligation represented hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

THIS NOTE AND THE JOINT AND SEVERAL OBLIGATIONS OF THE BORROWERS HEREUNDER SHALL FOR ALL PURPOSES BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF

THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND THE CONSENT TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND THE SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWERS BY MAIL AT THE ADDRESS SPECIFIED BENEATH THE BORROWERS' SIGNATURE ON THE SIGNATURE PAGE OF THE CREDIT AGREEMENT. EACH BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

This Note shall be deemed to take effect as a sealed instrument under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the undersigned has caused this Revolving Credit Note to be signed in its corporate name and its corporate seal to be impressed thereon by its duly authorized officer as of the day and year first above written.

[Corporate Seal]

SALESLINK CORPORATION

By: _____
Title:

INSOLUTIONS INCORPORATED

By: _____
Title:

Date	Amount of Loan	Amount of Principal Paid or Prepaid	Balance of Principal Unpaid	Notation Made By:

EXHIBIT 10.62

AMENDED AND RESTATED STOCK PLEDGE AGREEMENT

This AMENDED AND RESTATED STOCK PLEDGE AGREEMENT is made as of June 11, 1998, by and between SalesLink Corporation, a Delaware corporation (the "Company"), and BankBoston, N.A. (f/k/a The First National Bank of Boston), a national banking association, as agent (hereinafter, in such capacity, the "Agent") for itself and the other banking institutions (hereinafter, collectively, the "Banks") which are or may become parties to an Amended and Restated Revolving Credit and Term Loan Agreement dated as of June 11, 1998 (as amended and in effect from time to time, the "Credit Agreement"), among the Company, InSolutions Incorporated ("InSolutions" and, collectively with the Company, the "Borrowers"), Pacific Direct Marketing Corp., the Banks and the Agent.

WHEREAS, SalesLink as well as certain other parties entered into a Revolving Credit and Term Loan Agrement dated as of October 24, 1996 (such agreement as heretofore amended and in effect from time to time, the "Original Loan Agreement"); and

WHEREAS, in connection with the Original Loan Agreement, SalesLink entered into a Stock Pledge Agreement dated as of July 17, 1997 (such agreement as heretofore amended and in effect form time to time, the "Original Stock Pledge Agreement") in favor of BankBoston, N.A. as agent for the lending institutions party to the Original Loan Agreement; and

WHEREAS, each of the Borrower is expected to receive substantial direct and indirect benefits from the extensions of credit by the Banks to the Borrowers pursuant to the Credit Agreement; and

WHEREAS, the Original Loan Agreement will be superseded by the Credit Agreement on the Closing Date (as defined in the Credit Agreement); and

WHEREAS, it is a condition precedent to the effectiveness of the Credit Agreement that the Company execute and deliver to the Agent, for the benefit of the Banks and the Agent, a stock pledge agreement in substantially the form hereof; and

WHEREAS, the Company desires to amend and restate all of its rights and obligations under the Original Stock Pledge Agreement and grant security interests in favor of and as provided herein;

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. PLEDGE OF STOCK, ETC.

1.1 PLEDGE OF STOCK. The Company hereby pledges, assigns, grants a security interest in, and delivers to the Agent, for the benefit of the Banks and the Agent, all of the shares of capital stock of the Subsidiaries of every class, as more fully described on Annex A hereto, to be held by the Agent, for the benefit of the Banks and the Agent, subject to the terms and conditions hereinafter set forth. The certificates for such shares, accompanied by stock powers or other appropriate instruments of assignment thereof duly executed in blank by the Company, have been delivered to the Agent.

1.2 ADDITIONAL STOCK. In case the Company shall acquire any additional shares of the capital stock of any Subsidiary or corporation which is the successor of any Subsidiary, or any securities exchangeable for or convertible into shares of such capital stock of any class of any Subsidiary, by purchase, stock dividend, stock split or otherwise, then the Company shall forthwith deliver to and pledge such shares or other securities to the Agent, for the benefit of the Banks and the Agent, under this Agreement and shall deliver to the Agent forthwith any certificates therefor, accompanied by stock powers or other appropriate instruments of assignment duly executed by the Company in blank. The Company agrees that the Agent may from time to time attach as Annex A hereto an updated list of the shares of capital stock or securities at the time pledged with the Agent hereunder.

1.3 PLEDGE OF CASH COLLATERAL ACCOUNT. The Company also hereby pledges, assigns, grants a security interest in, and delivers to the Agent, for the benefit of the Banks and the Agent, the Cash Collateral Account and all of the Cash Collateral as such terms are hereinafter defined.

2. DEFINITIONS. The term "Obligations" and all other capitalized terms used herein without definition shall have the respective meanings provided therefor in the Credit Agreement. Terms used herein and not defined in the Credit Agreement or otherwise defined herein that are defined in the Uniform Commercial Code of the Commonwealth of Massachusetts have such defined meanings herein, unless the context otherwise indicated or requires, and the following terms shall have the following meanings:

Cash Collateral. See (S)4.

Cash Collateral Account. See (S)4.

Stock. Includes the shares of stock described in Annex A attached hereto and any additional shares of stock at the time pledged with the Agent hereunder.

Stock Collateral. The property at any time pledged to the Agent hereunder (whether described herein or not) and all income therefrom, increases therein and proceeds thereof, including without limitation that included in Cash Collateral, but excluding from the definition of "Stock Collateral" any income, increases or proceeds received by the Company to the extent expressly permitted by (S)6.

Time Deposits. See (S)4.

3. SECURITY FOR OBLIGATIONS. This Agreement and the security interest in and pledge of the Stock Collateral hereunder are made with and granted to the Agent, for the benefit of the Banks and the Agent, as security for the payment and performance in full of all the Obligations.

4. LIQUIDATION, RECAPITALIZATION, ETC.

4.1 DISTRIBUTIONS PAID TO AGENT. Any sums or other property paid or distributed upon or with respect to any of the Stock, whether by dividend or redemption or upon the liquidation or dissolution of the issuer thereof or otherwise, shall, except to the limited extent provided in (S)6, be paid over and delivered to the Agent to be held by the Agent, for the benefit of the Banks and the Agent, as security for the payment and performance in full of all of the Obligations. In case, pursuant to the recapitalization or reclassification of the capital of the issuer thereof or pursuant to the reorganization thereof, any distribution of capital shall be made on or in respect of any of the Stock or any property shall be distributed upon or with respect to any of the Stock, the property so distributed shall be delivered to the Agent, for the benefit of the Banks and the Agent, to be held by it as security for the Obligations. Except to the limited extent provided in (S)6, all sums of money and property paid or distributed in respect of the Stock, whether as a dividend or upon such a liquidation, dissolution, recapitalization or reclassification or otherwise, that are received by the Company shall, until paid or delivered to the Agent, be held in trust for the Agent, for the benefit of the Banks and the Agent, as security for the payment and performance in full of all of the Obligations.

4.2 CASH COLLATERAL ACCOUNT. All sums of money that are delivered to the Agent pursuant to this (S)4 shall be deposited into an interest bearing account with the Agent (the "Cash Collateral Account"). Some or all of the funds from time to time in the Cash Collateral Account may be invested in time deposits, including, without limitation, certificates of deposit issued by the Agent (such certificates of deposit or other time deposits being hereinafter referred to, collectively, as "Time Deposits"), that are satisfactory to the Agent after consultation with the Company, provided, that, in each such case, arrangements satisfactory to the Agent are made and are in place to perfect and to insure the first priority of the Agent's security interest therein. Interest earned on the Cash Collateral Account and on the Time Deposits, and the principal of the Time Deposits at maturity that is not invested in new Time Deposits, shall be deposited in the Cash Collateral Account. The Cash Collateral Account, all sums from time to time standing to the credit of the Cash Collateral Account, any and all Time Deposits, any and all instruments or other writings evidencing Time Deposits and any and all proceeds or any thereof are hereinafter referred to as the "Cash Collateral."

4.3 COMPANY'S RIGHTS TO CASH COLLATERAL, ETC. Except as otherwise expressly provided in (S)15, the Company shall have no right to withdraw sums from the Cash Collateral Account, to receive any of the Cash Collateral or to require the Agent to part with the Agent's possession of any instruments or other writings evidencing any Time Deposits.

5. WARRANTY OF TITLE; AUTHORITY. The Company hereby represents and warrants that: (a) the Company has good and marketable title to, and is the sole record and beneficial owner of, the Stock described in (S)1, subject to no pledges, liens, security interests, charges, options, restrictions or other encumbrances except the pledge and security interest created by this Agreement, (b) all of the Stock described in (S)1 is validly issued, fully paid and non-assessable, (c) the Company has full power, authority and legal right to execute, deliver and perform its obligations under this Agreement and to pledge and grant a security interest in all of the Stock Collateral pursuant to this Agreement, and the execution, delivery and performance hereof and the pledge of and granting of a security interest in the Stock Collateral hereunder have been duly authorized by all necessary corporate or other action and do not contravene any law, rule or regulation or any provision of the Company's charter documents or by-laws or of any judgment, decree or order of any tribunal or of any agreement or instrument to which the Company is a party or by which it or any of its property is bound or affected or constitute a default thereunder, and (d) the information set forth in Annex A hereto relating to the Stock is true, correct and complete in all respects. The Company covenants that it will defend the rights of the Banks and the Agent and security interest of the Agent, for the benefit of the Banks and the Agent, in such Stock against the claims and demands of all other persons whomsoever. The Company further covenants that it will have the like title to and right to pledge and grant a security interest in the Stock Collateral hereafter pledged or in which a security interest is granted to the Agent hereunder and will likewise defend the rights, pledge and security interest thereof and therein of the Banks and the Agent.

6. DIVIDENDS, VOTING, ETC., PRIOR TO MATURITY. So long as no Event of Default shall have occurred and be continuing, the Company shall be entitled to receive all cash dividends paid in respect of the Stock, to vote the Stock and to give consents, waivers and ratifications in respect of the Stock; provided, however, that no vote shall be cast or consent, waiver or ratification given by the Company if the effect thereof would in the reasonable judgment of the Majority Banks impair any of the Stock Collateral or be inconsistent with or result in any violation of any of the provisions of the Credit Agreement, the Notes or any of the other Loan Documents. All such rights of the Company to receive cash dividends shall cease in case an Event of Default shall have occurred and be continuing. All such rights of the Company to vote and give consents, waivers and ratifications with respect to the Stock shall, at the Agent's option, as evidenced by the Agent's notifying the Company of such election, cease in case an Event of Default shall have occurred and be continuing.

7. REMEDIES.

7.1 IN GENERAL. If an Event of Default shall have occurred and be continuing, the Agent shall thereafter have the following rights and remedies (to the extent permitted by applicable law) in addition to the rights and remedies of a secured party under the Uniform Commercial Code of the Commonwealth of Massachusetts, all such rights and remedies being

cumulative, not exclusive, and enforceable alternatively, successively or concurrently, at such time or times as the Agent deems expedient:

(a) if the Agent so elects and gives notice of such election to the Company, the Agent may vote any or all shares of the Stock (whether or not the same shall have been transferred into its name or the name of its nominee or nominees) for any lawful purpose, including, without limitation, if the Agent so elects, for the liquidation of the assets of the issuer thereof, and give all consents, waivers and ratifications in respect of the Stock and otherwise act with respect thereto as though it were the outright owner thereof (the Company hereby irrevocably constituting and appointing the Agent the proxy and attorney-in-fact of the Company, with full power of substitution, to do so);

(b) the Agent may demand, sue for, collect or make any compromise or settlement the Agent deems suitable in respect of any Stock Collateral;

(c) the Agent may sell, resell, assign and deliver, or otherwise dispose of any or all of the Stock Collateral, for cash or credit or both and upon such terms at such place or places, at such time or times and to such entities or other persons as the Agent thinks expedient, all without demand for performance by the Company or any notice or advertisement whatsoever except as expressly provided herein or as may otherwise be required by law;

(d) the Agent may cause all or any part of the Stock held by it to be transferred into its name or the name of its nominee or nominees; and

(e) the Agent may set off against the Obligations any and all sums deposited with it or held by it, including without limitation, any sums standing to the credit of the Cash Collateral Account and any Time Deposits issued by the Agent.

7.2 SALE OF STOCK COLLATERAL. In the event of any disposition of the Stock Collateral as provided in clause (c) of (S)7.1, the Agent shall give to the Company at least ten (10) Business Days prior written notice of the time and place of any public sale of the Stock Collateral or of the time after which any private sale or any other intended disposition is to be made. The Company hereby acknowledges that ten (10) Business Days prior written notice of such sale or sales shall be reasonable notice. The Agent may enforce its rights hereunder without any other notice and without compliance with any other condition precedent now or hereunder imposed by statute, rule of law or otherwise (all of which are hereby expressly waived by the Company, to the fullest extent permitted by law). The Agent may buy any part or all of the Stock Collateral at any public sale and if any part or all of the Stock

Collateral is of a type customarily sold in a recognized market or is of the type which is the subject of widely-distributed standard price quotations, the Agent may buy at private sale and may make payments thereof by any means. The Agent may apply the cash proceeds actually received from any sale or other disposition to the reasonable expenses of retaking, holding, preparing for sale, selling and the like, to reasonable attorneys' fees, travel and all other expenses which may be incurred by the Agent in attempting to collect the Obligations or to enforce this Agreement or in the prosecution or defense of any action or proceeding related to the subject matter of this Agreement, and then to the Obligations pursuant to the Credit Agreement or in the order set forth in such order or preference
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as the Agent may determine after proper allowance for Obligations not then due. Only after such applications, and after payment by the Agent of any amount required by (S)9-504(1)(c) of the Uniform Commercial Code of the Commonwealth of Massachusetts, need the Agent account to the Company for any surplus. To the extent that any of the Obligations are to be paid or performed by a person other than the Company, the Company waives and agrees not to assert any rights or privileges which it may have under (S)9-112 of the Uniform Commercial Code of the Commonwealth of Massachusetts.

7.3 PRIVATE SALES. The Company recognizes that the Agent may be
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unable to effect a public sale of the Stock by reason of certain prohibitions contained in the Securities Act, federal banking laws, and other applicable laws, but may be compelled to resort to one or more private sales thereof to a restricted group of purchasers. The Company agrees that any such private sales may be at prices and other terms less favorable to the seller than if sold at public sales and that such private sales shall not by reason thereof be deemed not to have been made in a commercially reasonable manner. The Agent shall be under no obligation to delay a sale of any of the Stock for the period of time necessary to permit the issuer of such securities to register such securities for public sale under the Securities Act, or such other federal banking or other applicable laws, even if the issuer would agree to do so. Subject to the foregoing, the Agent agrees that any sale of the Stock shall be made in a commercially reasonable manner, and the Company agrees to use its best efforts to cause the issuer or issuers of the Stock contemplated to be sold, to execute and deliver, and cause the directors and officers of such issuer to execute and deliver, all at the Company's expense, all such instruments and documents, and to do or cause to be done all such other acts and things as may be necessary or, in the reasonable opinion of the Agent, advisable to exempt such Stock from registration under the provisions of the Securities Act, and to make all amendments to such instruments and documents which, in the opinion of the Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. The Company further agrees to use its best efforts to cause such issuer or issuers to comply with the provisions of the securities or "Blue Sky" laws of any jurisdiction which the Agent shall

designate and, if required, to cause such issuer or issuers to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

7.4 COMPANY'S AGREEMENTS, ETC. The Company further agrees to do or cause to be done all such other acts and things as may be reasonably necessary to make any sales of any portion or all of the Stock pursuant to this (S)7 valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at the Company's expense. The Company further agrees that a breach of any of the covenants contained in this (S)7 will cause irreparable injury to the Agent and the Banks, that the Agent and the Banks have no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this (S)7 shall be specifically enforceable against the Company by the Agent and the Company hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants.

8. MARSHALLING. Neither the Agent nor any Bank shall be required to marshal any present or future collateral security for (including but not limited to this Agreement and the Stock Collateral), or other assurances of payment of, the Obligations or any of them, or to resort to such collateral security or other assurances of payment in any particular order. All of the Agent's rights hereunder and of the Banks and the Agent in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Company hereby agrees that it will not invoke any law relating to the marshalling of collateral that might cause delay in or impede the enforcement of the Agent's rights under this Agreement or under any other instrument evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and to the extent that it lawfully may the Company hereby irrevocably waives the benefits of all such laws.

9. COMPANY'S OBLIGATIONS NOT AFFECTED. The obligations of the Company hereunder shall remain in full force and effect without regard to, and shall not be impaired by (a) any exercise or nonexercise, or any waiver, by the Agent or any Bank of any right, remedy, power or privilege under or in respect of any of the Obligations or any security thereof (including this Agreement); (b) any amendment to or modification of the Credit Agreement, the Note, the other Loan Documents or any of the Obligations; (c) any amendment to or modification of any instrument (other than this Agreement) securing any of the Obligations, including, without limitation, any of the Security Documents; or (d) the taking of additional security for, or any other assurances of payment of, any of the Obligations or the release or discharge or termination of any security or other assurances of payment or

performance for any of the Obligations; whether or not the Company shall have notice or knowledge of any of the foregoing.

10. TRANSFER, ETC., BY COMPANY. Without the prior written consent of the Agent, the Company will not sell, assign, transfer or otherwise dispose of, grant any option with respect to, or pledge or grant any security interest in or otherwise encumber or restrict any of the Stock Collateral or any interest therein, except for the pledge thereof and security interest therein provided for in this Agreement.

11. FURTHER ASSURANCES. The Company will do all such acts, and will furnish to the Agent all such financing statements, certificates, legal opinions and other documents and will obtain all such governmental consents and corporate approvals and will do or cause to be done all such other things as the Agent may reasonably request from time to time in order to give full effect to this Agreement and to secure the rights of the Banks and the Agent hereunder, all without any cost or expense to the Agent or any Bank. If the Agent so elects, a photocopy of this Agreement may at any time and from time to time be filed by the Agent as a financing statement in any recording office in any jurisdiction.

12. AGENT'S EXONERATION. Under no circumstances shall the Agent be deemed to assume any responsibility for or obligation or duty with respect to any part or all of the Stock Collateral of any nature or kind or any matter or proceedings arising out of or relating thereto, other than (i) to exercise reasonable care in the physical custody of the Stock Collateral and (ii) after an Event of Default shall have occurred and be continuing to act in a commercially reasonable manner. Neither the Agent nor any Bank shall be required to take any action of any kind to collect, preserve or protect its or the Company's rights in the Stock Collateral or against other parties thereto. The Agent's prior recourse to any part or all of the Stock Collateral shall not constitute a condition of any demand, suit or proceeding for payment or collection of any of the Obligations.

13. NO WAIVER, ETC. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated except by a written instrument expressly referring to this Agreement and to the provisions so modified or limited, and executed by the Agent, with the consent of the Majority Banks, and the Company. No act, failure or delay by the Agent shall constitute a waiver of its rights and remedies hereunder or otherwise. No single or partial waiver by the Agent of any default or right or remedy that it may have shall operate as a waiver of any other default, right or remedy or of the same default, right or remedy on a future occasion. The Company hereby waives presentment, notice of dishonor and protest of all instruments, included in or evidencing any of the Obligations or the Stock Collateral, and any and all other notices and demands whatsoever (except as expressly provided herein or in the Credit Agreement).

14. NOTICE, ETC. All notices, requests and other communications hereunder shall be made in the manner set forth in (S)14 of the Credit Agreement.

15. TERMINATION. Upon final payment and performance in full of the Obligations, this Agreement shall terminate and the Agent shall, at the Company's request and expense, return such Stock Collateral in the possession or control of the Agent as has not theretofore been disposed of pursuant to the provisions hereof, together with any moneys and other property at the time held by the Agent hereunder.

16. OVERDUE AMOUNTS. Until paid, all amounts due and payable by the Company hereunder shall be a debt secured by the Stock Collateral and shall bear, whether before or after judgment, interest at the rate of interest for overdue principal set forth in the Credit Agreement.

17. GOVERNING LAW; CONSENT TO JURISDICTION. THIS AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS. The Company agrees that any suit for the enforcement of this Agreement may be brought in the courts of the Commonwealth of Massachusetts or any federal court sitting therein and consents to the non-exclusive jurisdiction of such court and to service of process in any such suit being made upon the Company by mail at the address specified in signature page of the Credit Agreement. The Company hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient court.

18. WAIVER OF JURY TRIAL. THE COMPANY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, the Company waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Company (a) certifies that neither the Agent or any Bank nor any representative, agent or attorney of the Agent or any Bank has represented, expressly or otherwise, that the Agent or any Bank would not, in the event of litigation, seek to enforce the foregoing waivers and (b) acknowledges that, in entering into the Credit Agreement and the other Loan Documents to which the Agent is a party, the Agent and the Banks are relying upon, among other things, the waivers and certifications contained in this (S)18.

19. MISCELLANEOUS. The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon the Company and its respective successors and assigns, and shall inure to the benefit of the Agent and the Banks and their respective successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall be in no way affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had

not been included herein. The Company acknowledges receipt of a copy of this Agreement.

IN WITNESS WHEREOF, intending to be legally bound, the Company and the Agent have caused this Agreement to be executed as of the date first above written.

SALESLINK CORPORATION

By: _____
Title:

BANKBOSTON, N.A. (f/k/a The First National Bank of Boston), as Agent

By: _____
Title:

The undersigned Subsidiaries hereby join in the above Agreement for the sole purpose of consenting to and being bound by the provisions of (S)(S)4.1, 6 and 7 thereof, the undersigned hereby agreeing to cooperate fully and in good faith with the Agent and the Company in carrying out such provisions.

PACIFIC DIRECT MARKETING CORP.

By: _____
Title:

ANNEX A TO PLEDGE AGREEMENT

None of the issuers has any authorized, issued or outstanding shares of its capital stock of any class or any commitments to issue any shares of its capital stock of any class or any securities convertible into or exchangeable for any shares of its capital stock of any class except as otherwise stated in this Annex A.

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Issuer	Record Owner	Class of Shares	Number of Authorized Shares	Number of Issued Shares	Number of Outstanding Shares	Par or Liquidation Value
Pacific Direct Marketing Corp.	SalesLink Corporation					

EXHIBIT 10.63

AMENDED AND RESTATED GUARANTY

AMENDED AND RESTATED GUARANTY, dated as of June 11, 1998, by PACIFIC DIRECT MARKETING CORP., a California corporation, (the "Guarantor") in favor of (a) BANKBOSTON, N.A., a national banking association, as agent (hereinafter, in such capacity, the "Agent") for itself and the other lending institutions (hereinafter, collectively, the "Banks") which are or may become parties to an Amended and Restated Revolving Credit and Term Loan Agreement dated as of June 11, 1998 (as amended and in effect from time to time, the "Credit Agreement") among SalesLink Corporation, a Delaware corporation ("SalesLink"), InSolutions Incorporated, a Delaware corporation ("InSolutions" and, collectively with SalesLink, the "Borrowers"), the Guarantor, the Banks and the Agent and (b) each of the Banks.

WHEREAS, SalesLink as well as certain other parties entered into a Revolving Credit and Term Loan Agreement dated as of October 24, 1996 (such agreement as heretofore amended and in effect from time to time, the "Original Loan Agreement"); and

WHEREAS, in connection with the Original Loan Agreement, the Guarantor entered into a Guaranty dated as of October 24, 1996 (such agreement as heretofore amended and in effect form time to time, the "Original Guaranty") in favor of BankBoston, N.A. as agent for the lending institutions party to the Original Loan Agreement and the Banks party thereto; and

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

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

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

WHEREAS, the Original Loan Agreement will be superseded by the Credit Agreement on the Closing Date (as defined in the Credit Agreement); and

WHEREAS, it is a condition precedent to the Bank's making any loans or otherwise extending credit to the Borrowers under the Credit Agreement that

the Guarantor execute and deliver to the Agent and the Banks a guaranty substantially in the form hereof; and

WHEREAS, the Company desires to amend and restate all of its rights and obligations under the Original Guaranty;

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

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

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

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

4. WAIVERS BY GUARANTOR; BANK'S FREEDOM TO ACT. The Guarantor agrees that the Obligations will be paid and performed strictly in accordance with their respective terms, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of

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

5. UNENFORCEABILITY OF OBLIGATIONS AGAINST BORROWER OR PARENT. If for any reason either the Borrower or the Parent has no legal existence or is under no legal obligation to discharge any of the Obligations, or if any of the Obligations have become irrecoverable from either the Borrower or the Parent by reason of the Borrower's or the Parent's insolvency, bankruptcy or reorganization or by other operation of law or for any other reason, this Guaranty shall nevertheless be binding on the Guarantor to the same extent as

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

6. SUBROGATION; SUBORDINATION.

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

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

6.3 PROVISIONS SUPPLEMENTAL. The provisions of this (S)6 shall be supplemental to and not in derogation of any rights and remedies of

the Agent or any Bank or any affiliate of the Agent or any Bank under any separate subordination agreement which the Agent or such Bank or such affiliate may at any time and from time to time enter into with the Guarantor.

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

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

9. TERMINATION; REINSTATEMENT. This Guaranty shall remain in full force and effect until the Agent is given written notice of the Guarantor's intention to discontinue this Guaranty, notwithstanding any intermediate or temporary payment or settlement of the whole or any part of the Obligations. No such notice shall be effective unless received and acknowledged by an officer of the Agent at the address of the Agent for notices set forth on the signature page of the Credit Agreement. No such notice shall affect any rights of the Agent or any Bank or of any affiliate of the Agent or any Bank hereunder, including without limitation the rights set forth in (S)(S)4 and 6, with respect to any Obligations incurred or accrued prior to the receipt of such notice or any

Obligations incurred or accrued pursuant to any contract or commitment in existence prior to such receipt, and all checks, drafts, notes, instruments (negotiable or otherwise) and writings made by or for the account of the Borrower or the Parent and drawn on the Agent or any Bank or any of its agents purporting to be dated on or before the date of receipt of such notice, although presented to and paid or accepted by the Agent or any Bank after that date, shall form part of the Obligations. This Guaranty shall continue to be effective or be reinstated, notwithstanding any such notice, if at any time any payment made or value received with respect to any Obligation is rescinded or must otherwise be returned by the Agent or any Bank upon the insolvency, bankruptcy or reorganization of the Borrower, the Parent, or otherwise, all as though such payment had not been made or value received.

10. SUCCESSORS AND ASSIGNS. This Guaranty shall be binding upon the Guarantor, its successors and assigns, and shall inure to the benefit of and be enforceable by the Agent, each Bank and its successors, transferees and assigns. Without limiting the generality of the foregoing sentence, the Agent or any Bank may assign or otherwise transfer the Credit Agreement, the Notes, the other Loan Documents or any other agreement or note held by it evidencing, securing or otherwise executed in connection with the Obligations, or sell participations in any interest therein, to any other entity or other person, and such other entity or other person shall thereupon become vested, to the extent set forth in the agreement evidencing such assignment, transfer or participation, with all the rights in respect thereof granted to the Agent or such Bank herein.

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

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

13. GOVERNING LAW; CONSENT TO JURISDICTION. THIS GUARANTY IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS. The Guarantor agrees that any suit for the enforcement of this Guaranty may be

brought in the courts of the Commonwealth of Massachusetts or any federal court sitting therein and consents to the nonexclusive jurisdiction of such court and to service of process in any such suit being made upon the Guarantor by mail at the address specified by reference in (S)12. The Guarantor hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit was brought in an inconvenient court.

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

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

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

PACIFIC DIRECT MARKETING CORP.

By: _____
Title:

Address:

Telex: _____

EXHIBIT 10.64

AMENDED AND RESTATED SECURITY AGREEMENT

AMENDED AND RESTATED SECURITY AGREEMENT, dated as of June 11, 1998, among SalesLink Corporation, a Delaware corporation ("SalesLink"), InSolutions Incorporated, a Delaware corporation ("InSolutions" and, collectively with SalesLink, the "Companies" and each individually, a "Company") and BankBoston, N.A. (f/k/a The First National Bank of Boston), a national banking association, as agent (hereinafter, in such capacity, the "Agent") for itself and other banking institutions (hereinafter, collectively, the "Banks") which are or may become parties to an Amended and Restated Revolving Credit and Term Loan Agreement dated as of June 11, 1998 (as amended and in effect from time to time, the "Credit Agreement"), among the Companies, Pacific Direct Marketing Corp., the Banks and the Agent.

WHEREAS, SalesLink as well as certain other parties entered into a Revolving Credit and Term Loan Agreement dated as of October 24, 1996 (such agreement as heretofore amended and in effect from time to time, the "Original Loan Agreement"); and

WHEREAS, in connection with the Original Loan Agreement, SalesLink entered into a Security Agreement dated as of July 17, 1997 (such agreement as heretofore amended and in effect form time to time, the "Original Security Agreement") in favor of BankBoston, N.A. as agent for the lending institutions party to the Original Loan Agreement; and

WHEREAS, each of the Companies is expected to receive substantial direct and indirect benefits from the extensions of credit by the Banks to the Companies pursuant to the Credit Agreement; and

WHEREAS, the Original Loan Agreement will be superseded by the Credit Agreement on the Closing Date (as defined in the Credit Agreement); and

WHEREAS, pursuant to the transactions contemplated by the Credit Agreement, InSolutions will be a borrower under the terms of the Credit Agreement; and

WHEREAS, it is a condition precedent to the effectiveness of the Credit Agreement that the Companies execute and deliver to the Agent, for the benefit of the Banks and the Agent, a security agreement in substantially the form hereof; and

WHEREAS, certain of the parties hereto desire to amend and restate all of their rights and obligations under the Security Agreement and grant security interests in favor of and as provided herein;

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. All capitalized terms used herein without definitions shall have the respective meanings provided therefor in the Credit Agreement. All terms defined in the Uniform Commercial Code of the Commonwealth of Massachusetts and used herein shall have the same definitions herein as specified therein.

2. GRANT OF SECURITY INTEREST.

2.1. COLLATERAL GRANTED. (a)SalesLink ratifies and affirms the grant of security interests made pursuant to the Original Security Agreement, and (b) to the extent not covered under clause (a), SalesLink further grants to the Agent, and InSolutions hereby grants to the Agent, for the benefit of the Banks and the Agent, to secure the payment and performance in full of all of the Obligations, a security interest in and so pledges and assigns to the Agent, for the benefit of the Banks and the Agent, the following properties, assets and rights of each of the Companies, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "Collateral"):

All personal and fixture property of every kind and nature including without limitation all furniture, fixtures, equipment, raw materials, inventory, other goods, accounts, contract rights, rights to the payment of money, insurance refund claims and all other insurance claims and proceeds, tort claims, chattel paper, documents, instruments, securities and other investment property, deposit accounts and all general intangibles including, without limitation, all tax refund claims, license fees, patents, patent applications, trademarks, trademark applications, trade names, copyrights, copyright applications, rights to sue and recover for past infringement of patents, trademarks and copyrights, computer programs, computer software, engineering drawings, service marks, customer lists, goodwill, and all licenses, permits, agreements of any kind or nature pursuant to which each such Company possesses, uses or has authority to possess or use property (whether tangible or intangible) of others or others possess, use or have authority to possess or use property (whether tangible or intangible) of such Company, and all recorded data of any kind or nature, regardless of the medium of recording including, without limitation, all software, writings, plans, specifications and schematics.

2.2. DELIVERY OF INSTRUMENTS, ETC.

(a) Pursuant to the terms hereof, each Company has endorsed, assigned and delivered to the Agent all negotiable or non-negotiable instruments (including certificated securities) and chattel paper pledged by it hereunder, together with instruments of transfer or assignment duly executed in blank as the Agent may have specified. In the event that such Company shall, after the date of this Agreement, acquire any other negotiable or non-negotiable instruments (including certificated securities) or chattel paper to be pledged by it hereunder, such Company shall forthwith endorse, assign and deliver the same to the Agent, accompanied by such instruments of transfer or assignment duly executed in blank as the Agent may from time to time specify.

(b) To the extent that any securities now or hereafter acquired by either of the Companies are uncertificated and are issued to such Company or its nominee directly by the issuer thereof, such Company shall cause the issuer to note on its books the security interest of the Agent in such securities and shall cause the issuer, pursuant to an agreement in form and substance satisfactory to the Agent, to agree to comply with instructions from the Agent as to such securities, without further consent of such Company or such nominee. To the extent that any securities, whether certificated or uncertificated, or other financial assets now or hereafter acquired by any Company are held by such Company or its nominee through a securities intermediary, such Company shall (i) cause such securities intermediary to note on its books the security interest of the Agent in such securities or other financial assets and to confirm such notation promptly to the Agent and (ii), at the request of the Agent, cause such securities intermediary, pursuant to an agreement in form and substance satisfactory to the Agent, to agree to comply with entitlement orders or other instructions from the Agent as to such securities or other financial assets, without further consent of such Company or such nominee. The Agent agrees with each Company that the Agent shall not give any such entitlement orders or instructions to any such issuer or securities intermediary unless an Event of Default has occurred and is continuing and the Agent has elected to exercise its rights and remedies as contemplated by (S)13.

2.3. EXCLUDED COLLATERAL. Notwithstanding the foregoing provisions of this (S)2, such grant of security interest shall not extend to, and the term "Collateral" shall not include, any chattel paper and general intangibles which are now or hereafter held by any Company as licensee, lessee or otherwise, to the extent that (a) such chattel paper and general intangibles are not assignable or capable of being encumbered as a matter of law or

under the terms of the license, lease or other agreement applicable thereto (but solely to the extent that any such restriction shall be enforceable under applicable law), without the consent of the licensor or lessor thereof or other applicable party thereto and (b) such consent has not been obtained; provided, however, that the foregoing
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grant of security interest shall extend to, and the term "Collateral" shall include, (i) any and all proceeds of such chattel paper and general intangibles to the extent that the assignment or encumbering of such proceeds is not so restricted and (ii) upon any such licensor, lessor or other applicable party consent with respect to any such otherwise excluded chattel paper or general intangibles being obtained, thereafter such chattel paper or general intangibles as well as any and all proceeds thereof that might have theretofore have been excluded from such grant of a security interest and the term "Collateral".

2.4. STOCK PLEDGE AGREEMENT. Concurrently herewith SalesLink is
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executing and delivering to the Agent, for the benefit of the Banks and the Agent, a stock pledge agreement pursuant to which SalesLink is pledging to the Agent, for the benefit of the Banks and the Agent, all the shares of the capital stock of its subsidiary. Such pledge shall be governed by the terms of such stock pledge agreement and not by the terms of this Agreement

2.5. TRADEMARK ASSIGNMENTS. SalesLink has also executed and
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delivered to the Agent, for the benefit of the Banks and the Agent, the Trademark Assignment pursuant to which SalesLink has assigned to the Agent, for the benefit of the Banks and the Agent, certain Collateral consisting of trademarks, service marks and trademark and service mark rights, together with the goodwill appurtenant thereto. The provisions of the Trademark Assignment from SalesLink are supplemental to the provisions of this Agreement, and nothing contained in the Trademark Assignment shall derogate from any of the rights or remedies of the Agent or any of the Banks hereunder. Nor shall anything contained in the Trademark Assignment be deemed to prevent or extend the time of attachment or perfection of any security interest in such Collateral created. Concurrently herewith InSolutions is also executing and delivering to the Agent, for the benefit of the Banks and the Agent, the Trademark Assignment pursuant to which InSolutions is assigning to the Agent, for the benefit of the Banks and the Agent, certain Collateral consisting of trademarks, service marks and trademark and service mark rights, together with the goodwill appurtenant thereto. The provisions of the Trademark Assignment are supplemental to the provisions of this Agreement, and nothing contained in the Trademark Assignment shall derogate from any of the rights or remedies of the Agent or any of the Banks hereunder. Nor shall anything contained in the Trademark Assignment be deemed to prevent or extend the time of attachment or perfection of any security interest in such Collateral created hereby.

3. Title to Collateral, etc. Each Company is the owner of its Collateral free from any adverse lien, security interest or other encumbrance, except for the security interest created by this Agreement and other liens permitted by the Credit Agreement. None of the Collateral constitutes, or is the proceeds of, "farm products" as defined in (S)9-109(3) of the Uniform Commercial Code of the Commonwealth of Massachusetts. None of the account debtors in respect of any accounts, chattel paper or general intangibles and none of the obligors in respect of any instruments included in the Collateral is a governmental authority subject to the Federal Assignment of Claims Act.

4. CONTINUOUS PERFECTION. Each Company's place of business or, if more than one, chief executive office is indicated on the Perfection Certificate delivered by such Company to the Agent herewith (the "Perfection Certificates"). Neither Company will change the same, or the name, identity or corporate structure of such Company in any manner, without providing at least 30 days prior written notice to the Agent. The Collateral, to the extent not delivered to the Agent pursuant to (S)2.2, will be kept at those locations listed on the respective Perfection Certificate and neither Company will remove the Collateral from such locations, without providing at least 30 days prior written notice to the Agent.

5. NO LIENS. Except for the security interest herein granted and liens permitted by the Credit Agreement, each Company shall be the owner of its Collateral free from any lien, security interest or other encumbrance, and each Company shall defend the same against all claims and demands of all persons at any time claiming the same or any interests therein adverse to the Agent or any of the Banks. Neither Company shall pledge, mortgage or create, or suffer to exist a security interest in the Collateral in favor of any person other than the Agent, for the benefit of the Banks and the Agent, except for liens permitted by the Credit Agreement.

6. NO TRANSFERS. Neither Company will sell or offer to sell or otherwise transfer the Collateral or any interest therein except for (a) sales and leases of inventory and licenses of general intangibles in the ordinary course of business and (b) sales or other dispositions of obsolescent items of equipment in the ordinary course of business consistent with past practices.

7. INSURANCE.

7.1. MAINTENANCE OF INSURANCE. Each Company will maintain with financially sound and reputable insurers insurance with respect to its properties and business against such casualties and contingencies as shall be in accordance with general practices of businesses engaged in similar activities in similar geographic areas. Such insurance shall be in such minimum amounts that each Company will not be deemed a co-insurer under applicable insurance laws, regulations and policies and otherwise shall be in such amounts, contain such terms, be in such forms and be for such periods as may be reasonably satisfactory to the Agent. In addition, all

such insurance shall be payable to the Agent as loss payee under a "standard" or "New York" loss payee clause for the benefit of the Banks and the Agent. Without limiting the foregoing, each Company will (a) keep all of its physical property insured with casualty or physical hazard insurance on an "all risks" basis, with broad form flood and earthquake coverages and electronic data processing coverage, with a full replacement cost endorsement and an "agreed amount" clause in an amount equal to 100% of the full replacement cost of such property, (b) maintain all such workers' compensation or similar insurance as may be required by law and (c) maintain, in amounts and with deductibles equal to those generally maintained by businesses engaged in similar activities in similar geographic areas, general public liability insurance against claims of bodily injury, death or property damage occurring, on, in or about the properties of such Company; business interruption insurance; and product liability insurance.

7.2. INSURANCE PROCEEDS. The proceeds of any casualty insurance in respect of any casualty loss of any of the Collateral shall, subject to the rights, if any, of other parties with a prior interest in the property covered thereby, (a) so long as no Default or Event of Default has occurred and is continuing and to the extent that the amount of such proceeds is less than $25,000, be disbursed to the applicable Company for direct application by such Company solely to the repair or replacement of the applicable Company's property so damaged or destroyed and (b) in all other circumstances, be held by the Agent as cash collateral for the Obligations. The Agent may, at its sole option, disburse from time to time all or any part of such proceeds so held as cash collateral, upon such terms and conditions as the Agent may reasonably prescribe, for direct application by the applicable Company solely to the repair or replacement of such Company's property so damaged or destroyed, or the Agent may apply all or any part of such proceeds to the Obligations with the Total Commitment (if not then terminated) being reduced by the amount so applied to the Obligations.

7.3. NOTICE OF CANCELLATION, ETC. All policies of insurance shall provide for at least thirty (30) days prior written cancellation notice to the Agent. In the event of failure by either Company to provide and maintain insurance as herein provided, the Agent may, at its option, provide such insurance and charge the amount thereof to such Company. Each Company shall furnish the Agent with certificates of insurance and policies evidencing compliance with the foregoing insurance provision.

8. MAINTENANCE OF COLLATERAL; COMPLIANCE WITH LAW. Each Company will keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon. The Agent, or its designee, may inspect the Collateral at any reasonable time, wherever located. Each Company will pay promptly when due all taxes, assessments, governmental charges and levies upon the Collateral or incurred in connection with the use or operation of such Collateral

or incurred in connection with this Agreement. Each Company has at all times operated, and each Company will continue to operate, its business in compliance with all applicable provisions of the federal Fair Labor Standards Act, as amended, and with all applicable provisions of federal, state and local statutes and ordinances dealing with the control, shipment, storage or disposal of hazardous materials or substances.

9. COLLATERAL PROTECTION EXPENSES; PRESERVATION OF COLLATERAL.

9.1. EXPENSES INCURRED BY AGENT. In its discretion, the Agent may discharge taxes and other encumbrances at any time levied or placed on any of the Collateral, make necessary repairs thereto and pay any necessary filing fees. Each Company agrees to reimburse the Agent on demand for any and all expenditures so made. The Agent shall have no obligation to either Company to make any such expenditures, nor shall the making thereof relieve such Company of any default.

9.2. AGENT'S OBLIGATIONS AND DUTIES. Anything herein to the contrary notwithstanding, each Company shall remain liable under each contract or agreement comprised in the Collateral to be observed or performed by such Company thereunder. Neither the Agent nor any Bank shall have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by the Agent or any Bank of any payment relating to any of the Collateral, nor shall the Agent or any Bank be obligated in any manner to perform any of the obligations of any Company under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Agent or any Bank in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to the Agent or to which the Agent or any Bank may be entitled at any time or times. The Agent's sole duty with respect to the custody, safe keeping and physical preservation of the Collateral in its possession, under (S)9-207 of the Uniform Commercial Code of the Commonwealth of Massachusetts or otherwise, shall be to deal with such Collateral in the same manner as the Agent deals with similar property for its own account.

10. SECURITIES AND DEPOSITS. The Agent may at any time after the occurrence of an Event of Default, at its option, transfer to itself or any nominee any securities constituting Collateral, receive any income thereon and hold such income as additional Collateral or apply it to the Obligations. Whether or not any Obligations are due, the Agent may, after the occurrence of an Event of Default, demand, sue for, collect, or make any settlement or compromise which it deems desirable with respect to the Collateral. Regardless of the adequacy of Collateral or any other security for the Obligations, any deposits or other sums at any time

credited by or due from the Agent or any Bank to any Company may at any time be applied to or set off against any of the Obligations.

10.1. NOTIFICATION TO ACCOUNT DEBTORS AND OTHER OBLIGORS. If an Event of Default shall have occurred and be continuing, each Company shall, at the request of the Agent, notify account debtors on accounts, chattel paper and general intangibles of such Company and obligors on instruments for which such Company is an obligee of the security interest of the Agent in any account, chattel paper, general intangible or instrument and that payment thereof is to be made directly to the Agent or to any financial institution designated by the Agent as the Agent's agent therefor, and the Agent may itself, if an Event of Default shall have occurred and be continuing, without notice to or demand upon such Company, so notify account debtors and obligors. After the making of such a request or the giving of any such notification, each Company shall hold any proceeds of collection of accounts, chattel paper, general intangibles and instruments received by such Company as trustee for the Agent, for the benefit of the Banks and the Agent, without commingling the same with other funds of such Company and shall turn the same over to the Agent in the identical form received, together with any necessary endorsements or assignments. The Agent shall apply the proceeds of collection of accounts, chattel paper, general intangibles and instruments received by the Agent to the Obligations, such proceeds to be immediately entered after final payment in cash or solvent credits of the items giving rise to them.

11. FURTHER ASSURANCES.

Each Company, at its own expense, shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as the Agent may require more completely to vest in and assure to the Agent and the Banks their respective rights hereunder or in any of the Collateral, including, without limitation, (i) executing, delivering and, where appropriate, filing financing statements and continuation statements under the Uniform Commercial Code, (ii) obtaining governmental and other third party consents and approvals, including without limitation any consent of any licensor, lessor or other applicable party referred to in (S)2.3, (iii) obtaining waivers from mortgagees and landlords and (iv) taking all actions required by Sections 8-313 and 8-321 of the Uniform Commercial Code (1990) or Sections 8-106 and 9-115 of the Uniform Commercial Code (1994), as applicable in each relevant jurisdiction, with respect to certificated and uncertificated securities.

12. POWER OF ATTORNEY.

12.1. APPOINTMENT AND POWERS OF AGENT. Each Company hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of such Company or in the Agent's own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement and, without

limiting the generality of the foregoing, hereby gives said attorneys the power and right, on behalf of such Company, without notice to or assent by such Company, to do the following:

(a) upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral in such manner as is consistent with the Uniform Commercial Code of the Commonwealth of Massachusetts and as fully and completely as though the Agent were the absolute owner thereof for all purposes, and to do at such Company' expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as such Company might do, including, without limitation, (i) the filing and prosecuting of registration and transfer applications with the appropriate federal or local agencies or authorities with respect to trademarks, copyrights and patentable inventions and processes, (ii) upon written notice to such Company, the exercise of voting rights with respect to voting securities, which rights may be exercised, if the Agent so elects, with a view to causing the liquidation in a commercially reasonable manner of assets of the issuer of any such securities and (iii) the execution, delivery and recording, in connection with any sale or other disposition of any Collateral, of the endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral; and

(b) to file such financing statements with respect hereto, with or without such Company's signature, or a photocopy of this Agreement in substitution for a financing statement, as the Agent may deem appropriate and to execute in such Company's name such financing statements and amendments thereto and continuation statements which may require such Company's signature.

12.2. RATIFICATION BY COMPANY. To the extent permitted by law, each Company hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

12.3. NO DUTY ON AGENT. The powers conferred on the Agent hereunder are solely to protect the interests of the Agent and the Banks in the Collateral and shall not impose any duty upon the Agent to exercise any such powers. The Agent shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to each Company for any act or failure to act, except for the Agent's own gross negligence or willful misconduct.

13. REMEDIES. If an Event of Default shall have occurred and be continuing, the Agent may, without notice to or demand upon either Company, declare this Agreement to be in default, and the Agent shall thereafter have in any jurisdiction in which enforcement hereof is sought, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code, including, without limitation, the right to take possession of the Collateral, and for that purpose the Agent may, so far as either Company can give authority therefor, enter upon any premises on which the Collateral may be situated and remove the same therefrom. The Agent may in its discretion require any Company to assemble all or any part of the Collateral at such location or locations within the state(s) of such Company's principal office(s) or at such other locations as the Agent may designate. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Agent shall give to such Company at least ten Business Days prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other intended disposition is to be made. Each Company hereby acknowledges that ten Business Days prior written notice of such sale or sales shall be reasonable notice. In addition, each Company waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Agent's rights hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights with respect thereto. To the extent that any of the Obligations are to be paid or performed by a person other than such Company, such Company waives and agrees not to assert any rights or privileges which it may have under (S)9-112 of the Uniform Commercial Code of the Commonwealth of Massachusetts.

14. NO WAIVER, ETC. Each Company waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect to both the Obligations and the Collateral, each Company assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of or failure to perfect any security interest in any Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Agent may deem advisable. The Agent shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof as set forth in (S)9.2. The Agent shall not be deemed to have waived any of its rights upon or under the Obligations or the Collateral unless such waiver shall be in writing and signed by the Agent with the consent of the Majority Banks. No delay or omission on the part of the Agent in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. All rights and remedies of the Agent with respect to the Obligations or the Collateral, whether

evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly, alternatively, successively or concurrently at such time or at such times as the Agent deems expedient.

15. MARSHALLING. Neither the Agent nor any Bank shall be required to any present or marshal future collateral security (including but not limited to this Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of the rights of the Agent hereunder and of the Agent or any Bank in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, each Company hereby agrees that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Agent's rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, each such Company hereby irrevocably waives the benefits of all such laws.

16. PROCEEDS OF DISPOSITIONS; EXPENSES. Each Company shall pay to the Agent on demand any and all expenses, including reasonable attorneys' fees and disbursements, incurred or paid by the Agent in protecting, preserving or enforcing the Agent's rights under or in respect of any of the Obligations or any of the Collateral. After deducting all of said expenses, the residue of any proceeds of collection or sale of the Obligations or Collateral shall, to the extent actually received in cash, be applied to the payment of the Obligations in such order or preference as the Bank may determine or in such order or preference as is provided in the Credit Agreement, proper allowance and provision being made for any Obligations not then due. Upon the final payment and satisfaction in full of all of the Obligations and after making any payments required by Section 9-504(1)(c) of the Uniform Commercial Code of the Commonwealth of Massachusetts, any excess shall be returned to the applicable Company, and such Company shall remain liable for any deficiency in the payment of the Obligations.

17. OVERDUE AMOUNTS. Until paid, all amounts due and payable by the Company hereunder shall be a debt secured by the Collateral and shall bear, whether before or after judgment, interest at the rate of interest for overdue principal set forth in the Credit Agreement.

18. GOVERNING LAW; CONSENT TO JURISDICTION. THIS AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS. Each Company agrees that any suit for the enforcement of this Agreement may be brought in the courts of the Commonwealth of Massachusetts or any federal court sitting therein and consents to the non-exclusive jurisdiction of such court and to service of process in any such

suit being made upon such Company by mail at the address specified in the signature page of the Credit Agreement. Each Company hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient court.

19. WAIVER OF JURY TRIAL. EACH COMPANY WAIVES ITS RIGHT TO A JURY TRIAL

WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, each Company waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. Each Company (a) certifies that neither the Agent or any Bank nor any representative, agent or attorney of the Agent or any Bank has represented, expressly or otherwise, that the Agent or any Bank would not, in the event of litigation, seek to enforce the foregoing waivers and (b) acknowledges that, in entering into the Credit Agreement and the other Loan Documents to which the Agent or any Bank is a party, the Agent and the Banks are relying upon, among other things, the waivers and certifications contained in this (S)19.

20. MISCELLANEOUS. The headings of each section of this Agreement are for
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convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon each Company and its respective successors and assigns, and shall inure to the benefit of the Agent, the Banks and their respective successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. Each Company acknowledges receipt of a copy of this Agreement.

21. TRANSITIONAL ARRANGEMENTS. This Amended and Restated Security
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Agreement shall supersede the Original Security Agreement on the Closing Date. On the Closing Date, the rights and obligations of the respective parties under the Original Security Agreement shall be subsumed within and governed by this Amended and Restated Security Agreement; provided, that the provisions of the Original Security Agreement shall remain in full force and effect prior to the Closing Date, and that the liens granted pursuant to the Original Security Agreement shall continue to be in effect hereunder as set forth in (S)2.1 hereof.

IN WITNESS WHEREOF, intending to be legally bound, each Company has caused this Agreement to be duly executed as of the date first above written.

SALESLINK CORPORATION

By:_____
Title:

INSOLUTIONS CORPORATION

By:_____
Title:

Accepted:

BANKBOSTON, N.A.
(f/k/a The First National Bank of Boston),
as Agent

By:_____
Title:

CERTIFICATE OF ACKNOWLEDGMENT

COMMONWEALTH OF MASSACHUSETTS _____)
) ss.
COUNTY OF _____)

Before me, the undersigned, a Notary Public in and for the county aforesaid, on this _____ day of June, 1998, personally appeared _____ to me known personally, and who, being by me duly sworn, deposes and says that he is the _____ of SalesLink Corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public
My commission expires:

CERTIFICATE OF ACKNOWLEDGMENT

COMMONWEALTH OF MASSACHUSETTS _____)
) ss.
COUNTY OF _____)

Before me, the undersigned, a Notary Public in and for the county aforesaid, on this _____ day of June, 1998, personally appeared _____ to me known personally, and who, being by me duly sworn, deposes and says that he is the _____ of InSolutions Incorporated, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public
My commission expires:

EXHIBIT 10.65

AMENDED AND RESTATED SECURITY AGREEMENT

AMENDED AND RESTATED SECURITY AGREEMENT, dated as of June 11, 1998, between Pacific Direct Marketing Corp., a California corporation (the "Company"), and BankBoston, N.A. (f/k/a The First National Bank of Boston), a national banking association, as agent (hereinafter, in such capacity, the "Agent") for itself and other banking institutions (hereinafter, collectively, the "Banks") which are or may become parties to an Amended and Restated Revolving Credit and Term Loan Agreement dated as of June 11, 1998 (as amended and in effect from time to time, the "Credit Agreement"), among the Company, SalesLink Corporation ("SalesLink"), InSolutions Incorporated ("InSolutions" and collectively with SalesLink, the "Borrowers"), the Banks and the Agent.

WHEREAS, SalesLink as well as certain other parties entered into a Revolving Credit and Term Loan Agreement dated as of October 24, 1996 (such agreement as heretofore amended and in effect from time to time, the "Original Loan Agreement"); and

WHEREAS, in connection with the Original Loan Agreement, the Company entered into a Guaranty dated as of October 24, 1996 and a Security Agreement dated as of July 17, 1997 (such agreement as heretofore amended and in effect form time to time, the "Original Security Agreement") in favor of BankBoston, N.A. as agent for the lending institutions party to the Original Loan Agreement; and

WHEREAS, the Company is expected to receive substantial direct and indirect benefits from the extensions of credit by the Banks to the Borrowers pursuant to the Credit Agreement; and

WHEREAS, the Original Loan Agreement will be superseded by the Credit Agreement on the Closing Date (as defined in the Credit Agreement); and

WHEREAS, it is a condition precedent to the effectiveness of the Credit Agreement that the Company execute and deliver to the Agent, for the benefit of the Banks and the Agent, a security agreement in substantially the form hereof; and

WHEREAS, the Company desires to amend and restate all of its rights and obligations under the Security Agreement and grant security interests in favor of and as provided herein;

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. All capitalized terms used herein without definitions shall have the respective meanings provided therefor in the Credit Agreement. All terms defined in the Uniform Commercial Code of the Commonwealth of Massachusetts and used herein shall have the same definitions herein as specified therein.

2. GRANT OF SECURITY INTEREST.

2.1. COLLATERAL GRANTED. (a) The Company ratifies and affirms the grant of security interests made pursuant to the Original Security Agreement and, (b) to the extent not covered under clause (a) hereof, the Company further grants to the Agent, for the benefit of the Banks and the Agent, to secure the payment and performance in full of all of the Obligations (which includes the Company's obligations under the Guaranty), a security interest in and so pledges and assigns to the Agent, for the benefit of the Banks and the Agent, the following properties, assets and rights of the Company, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "Collateral"):

All personal and fixture property of every kind and nature including without limitation all furniture, fixtures, equipment, raw materials, inventory, other goods, accounts, contract rights, rights to the payment of money, insurance refund claims and all other insurance claims and proceeds, tort claims, chattel paper, documents, instruments, securities and other investment property, deposit accounts and all general intangibles including, without limitation, all tax refund claims, license fees, patents, patent applications, trademarks, trademark applications, trade names, copyrights, copyright applications, rights to sue and recover for past infringement of patents, trademarks and copyrights, computer programs, computer software, engineering drawings, service marks, customer lists, goodwill, and all licenses, permits, agreements of any kind or nature pursuant to which the Company possesses, uses or has authority to possess or use property (whether tangible or intangible) of others or others possess, use or have authority to possess or use property (whether tangible or intangible) of the Company, and all recorded data of any kind or nature, regardless of the medium of recording including, without limitation, all software, writings, plans, specifications and schematics.

2.2. DELIVERY OF INSTRUMENTS, ETC.

(a) Pursuant to the terms hereof, the Company has endorsed, assigned and delivered to the Agent all negotiable or non-negotiable instruments (including certificated securities) and chattel paper pledged by it hereunder, together with instruments of transfer or assignment duly executed in blank as the Agent may have specified.

In the event that the Company shall, after the date of this Agreement, acquire any other negotiable or non-negotiable instruments (including certificated securities) or chattel paper to be pledged by it hereunder, the Company shall forthwith endorse, assign and deliver the same to the Agent, accompanied by such instruments of transfer or assignment duly executed in blank as the Agent may from time to time specify.

(b) To the extent that any securities now or hereafter acquired by the Company are uncertificated and are issued to the Company or its nominee directly by the issuer thereof, the Company shall cause the issuer to note on its books the security interest of the Agent in such securities and shall cause the issuer, pursuant to an agreement in form and substance satisfactory to the Agent, to agree to comply with instructions from the Agent as to such securities, without further consent of the Company or such nominee. To the extent that any securities, whether certificated or uncertificated, or other financial assets now or hereafter acquired by the Company are held by the Company or its nominee through a securities intermediary, the Company shall (i) cause such securities intermediary to note on its books the security interest of the Agent in such securities or other financial assets and to confirm such notation promptly to the Agent and (ii), at the request of the Agent, cause such securities intermediary, pursuant to an agreement in form and substance satisfactory to the Agent, to agree to comply with entitlement orders or other instructions from the Agent as to such securities or other financial assets, without further consent of the Company or such nominee. The Agent agrees with the Company that the Agent shall not give any such entitlement orders or instructions to any such issuer or securities intermediary unless an Event of Default has occurred and is continuing and the Agent has elected to exercise its rights and remedies as contemplated by (S)13.

2.3. EXCLUDED COLLATERAL. Notwithstanding the foregoing provisions of this (S)2, such grant of security interest shall not extend to, and the term "Collateral" shall not include, any chattel paper and general intangibles which are now or hereafter held by the Company as licensee, lessee or otherwise, to the extent that (a) such chattel paper and general intangibles are not assignable or capable of being encumbered as a matter of law or under the terms of the license, lease or other agreement applicable thereto (but solely to the extent that any such restriction shall be enforceable under applicable law), without the consent of the licensor or lessor thereof or other applicable party thereto and (b) such consent has not been obtained; provided, however, that the foregoing grant of security interest shall extend to, and the term "Collateral" shall include, (i) any and all proceeds of such chattel paper and general intangibles to the extent that the assignment or encumbering of such proceeds is not so restricted and (ii) upon any such

licensor, lessor or other applicable party consent with respect to any such otherwise excluded chattel paper or general intangibles being obtained, thereafter such chattel paper or general intangibles as well as any and all proceeds thereof that might have theretofore have been excluded from such grant of a security interest and the term "Collateral".

2.4. STOCK PLEDGE AGREEMENT. Concurrently herewith SalesLink is executing and delivering to the Agent, for the benefit of the Banks and the Agent, a stock pledge agreement pursuant to which SalesLink is pledging to the Agent, for the benefit of the Banks and the Agent, all the shares of the capital stock of SalesLink's subsidiary. Such pledge shall be governed by the terms of such stock pledge agreement and not by the terms of this Agreement

2.5. TRADEMARK ASSIGNMENTS. Concurrently herewith the Company is also executing and delivering to the Agent, for the benefit of the Banks and the Agent, the Trademark Assignment pursuant to which the Company is assigning to the Agent, for the benefit of the Banks and the Agent, certain Collateral consisting of patents and patent rights and trademarks, service marks and trademark and service mark rights, together with the goodwill appurtenant thereto. The provisions of the Trademark Assignment are supplemental to the provisions of this Agreement, and nothing contained in the Trademark Assignment shall derogate from any of the rights or remedies of the Agent or any of the Banks hereunder. Nor shall anything contained in the Trademark Assignment be deemed to prevent or extend the time of attachment or perfection of any security interest in such Collateral created hereby.

3. TITLE TO COLLATERAL, ETC. The Company is the owner of the Collateral free from any adverse lien, security interest or other encumbrance, except for the security interest created by this Agreement and other liens permitted by the Credit Agreement. None of the Collateral constitutes, or is the proceeds of, "farm products" as defined in (S)9-109(3) of the Uniform Commercial Code of the Commonwealth of Massachusetts. None of the account debtors in respect of any accounts, chattel paper or general intangibles and none of the obligors in respect of any instruments included in the Collateral is a governmental authority subject to the Federal Assignment of Claims Act.

4. CONTINUOUS PERFECTION. The Company's place of business or, if more than one, chief executive office is indicated on the Perfection Certificate delivered to the Agent herewith (the "Perfection Certificate"). The Company will not change the same, or the name, identity or corporate structure of the Company in any manner, without providing at least 30 days prior written notice to the Agent. The Collateral, to the extent not delivered to the Agent pursuant to (S)2.2, will be kept at those locations listed on the Perfection Certificate and the Company will not remove the Collateral from such locations, without providing at least 30 days prior written notice to the Agent.

5. NO LIENS. Except for the security interest herein granted and liens permitted by the Credit Agreement, the Company shall be the owner of the Collateral free from any lien, security interest or other encumbrance, and the Company shall defend the same against all claims and demands of all persons at any time claiming the same or any interests therein adverse to the Agent or any of the Banks. The Company shall not pledge, mortgage or create, or suffer to exist a security interest in the Collateral in favor of any person other than the Agent, for the benefit of the Banks and the Agent, except for liens permitted by the Credit Agreement.

6. NO TRANSFERS. The Company will not sell or offer to sell or otherwise transfer the Collateral or any interest therein except for (a) sales and leases of inventory and licenses of general intangibles in the ordinary course of business and (b) sales or other dispositions of obsolescent items of equipment in the ordinary course of business consistent with past practices.

7. INSURANCE.

7.1. MAINTENANCE OF INSURANCE. The Company will maintain with financially sound and reputable insurers insurance with respect to its properties and business against such casualties and contingencies as shall be in accordance with general practices of businesses engaged in similar activities in similar geographic areas. Such insurance shall be in such minimum amounts that the Company will not be deemed a co-insurer under applicable insurance laws, regulations and policies and otherwise shall be in such amounts, contain such terms, be in such forms and be for such periods as may be reasonably satisfactory to the Agent. In addition, all such insurance shall be payable to the Agent as loss payee under a "standard" or "New York" loss payee clause for the benefit of the Banks and the Agent. Without limiting the foregoing, the Company will (a) keep all of its physical property insured with casualty or physical hazard insurance on an "all risks" basis, with broad form flood and earthquake coverages and electronic data processing coverage, with a full replacement cost endorsement and an "agreed amount" clause in an amount equal to 100% of the full replacement cost of such property, (b) maintain all such workers' compensation or similar insurance as may be required by law and (c) maintain, in amounts and with deductibles equal to those generally maintained by businesses engaged in similar activities in similar geographic areas, general public liability insurance against claims of bodily injury, death or property damage occurring, on, in or about the properties of the Company; business interruption insurance; and product liability insurance.

7.2. INSURANCE PROCEEDS. The proceeds of any casualty insurance in respect of any casualty loss of any of the Collateral shall, subject to the rights, if any, of other parties with a prior interest in the property covered thereby, (a) so long as no Default or Event of Default has occurred and is continuing and to the extent that the amount of such proceeds is less than

$25,000, be disbursed to the Company for direct application by the Company solely to the repair or replacement of the Company's property so damaged or destroyed and (b) in all other circumstances, be held by the Agent as cash collateral for the Obligations. The Agent may, at its sole option, disburse from time to time all or any part of such proceeds so held as cash collateral, upon such terms and conditions as the Agent may reasonably prescribe, for direct application by the Company solely to the repair or replacement of the Company's property so damaged or destroyed, or the Agent may apply all or any part of such proceeds to the Obligations with the Total Commitment (if not then terminated) being reduced by the amount so applied to the Obligations.

7.3. NOTICE OF CANCELLATION, ETC. All policies of insurance shall provide for at least thirty (30) days prior written cancellation notice to the Agent. In the event of failure by the Company to provide and maintain insurance as herein provided, the Agent may, at its option, provide such insurance and charge the amount thereof to the Company. The Company shall furnish the Agent with certificates of insurance and policies evidencing compliance with the foregoing insurance provision.

8. MAINTENANCE OF COLLATERAL; COMPLIANCE WITH LAW. The Company will keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon. The Agent, or its designee, may inspect the Collateral at any reasonable time, wherever located. The Company will pay promptly when due all taxes, assessments, governmental charges and levies upon the Collateral or incurred in connection with the use or operation of such Collateral or incurred in connection with this Agreement. The Company has at all times operated, and the Company will continue to operate, its business in compliance with all applicable provisions of the federal Fair Labor Standards Act, as amended, and with all applicable provisions of federal, state and local statutes and ordinances dealing with the control, shipment, storage or disposal of hazardous materials or substances.

9. COLLATERAL PROTECTION EXPENSES; PRESERVATION OF COLLATERAL.

9.1. EXPENSES INCURRED BY AGENT. In its discretion, the Agent may discharge taxes and other encumbrances at any time levied or placed on any of the Collateral, make repairs thereto and pay any necessary filing fees. The Company agrees to reimburse the Agent on demand for any and all expenditures so made. The Agent shall have no obligation to the Company to make any such expenditures, nor shall the making thereof relieve the Company of any default.

9.2. AGENT'S OBLIGATIONS AND DUTIES. Anything herein to the contrary notwithstanding, the Company shall remain liable under each contract or agreement comprised in the Collateral to be observed or performed by the Company thereunder. Neither the Agent nor any Bank

shall have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by the Agent or any Bank of any payment relating to any of the Collateral, nor shall the Agent or any Bank be obligated in any manner to perform any of the obligations of the Company under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Agent or any Bank in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to the Agent or to which the Agent or any Bank may be entitled at any time or times. The Agent's sole duty with respect to the custody, safe keeping and physical preservation of the Collateral in its possession, under (S)9-207 of the Uniform Commercial Code of the Commonwealth of Massachusetts or otherwise, shall be to deal with such Collateral in the same manner as the Agent deals with similar property for its own account.

10. SECURITIES AND DEPOSITS. The Agent may at any time, at its option, transfer to itself or any nominee any securities constituting Collateral, receive any income thereon and hold such income as additional Collateral or apply it to the Obligations. Whether or not any Obligations are due, the Agent may demand, sue for, collect, or make any settlement or compromise which it deems desirable with respect to the Collateral. Regardless of the adequacy of Collateral or any other security for the Obligations, any deposits or other sums at any time credited by or due from the Agent or any Bank to the Company may at any time be applied to or set off against any of the Obligations.

10.1. NOTIFICATION TO ACCOUNT DEBTORS AND OTHER OBLIGORS. If an Event of Default shall have occurred and be continuing, the Company shall, at the request of the Agent, notify account debtors on accounts, chattel paper and general intangibles of the Company and obligors on instruments for which the Company is an obligee of the security interest of the Agent in any account, chattel paper, general intangible or instrument and that payment thereof is to be made directly to the Agent or to any financial institution designated by the Agent as the Agent's agent therefor, and the Agent may itself, if an Event of Default shall have occurred and be continuing, without notice to or demand upon the Company, so notify account debtors and obligors. After the making of such a request or the giving of any such notification, the Company shall hold any proceeds of collection of accounts, chattel paper, general intangibles and instruments received by the Company as trustee for the Agent, for the benefit of the Banks and the Agent, without commingling the same with other funds of the Company and shall turn the same over to the Agent in the identical form received, together with any necessary endorsements or assignments. The Agent shall apply the proceeds of collection of accounts, chattel paper, general intangibles and instruments received by the Agent to the Obligations, such proceeds to be immediately entered after final payment in cash or solvent credits of the items giving rise to them.

11. FURTHER ASSURANCES. The Company, at its own expense, shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as the Agent may require more completely to vest in and assure to the Agent and the Banks their respective rights hereunder or in any of the Collateral, including, without limitation, (i) executing, delivering and, where appropriate, filing financing statements and continuation statements under the Uniform Commercial Code, (ii) obtaining governmental and other third party consents and approvals, including without limitation any consent of any licensor, lessor or other applicable party referred to in (S)2.3, (iii) obtaining waivers from mortgagees and landlords and (iv) taking all actions required by Sections 8-313 and 8-321 of the Uniform Commercial Code (1990) or Sections 8-106 and 9-115 of the Uniform Commercial Code (1994), as applicable in each relevant jurisdiction, with respect to certificated and uncertificated securities.

12. POWER OF ATTORNEY.

12.1. APPOINTMENT AND POWERS OF AGENT. The Company hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of the Company or in the Agent's own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives said attorneys the power and right, on behalf of the Company, without notice to or assent by the Company, to do the following:

(a) upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral in such manner as is consistent with the Uniform Commercial Code of the Commonwealth of Massachusetts and as fully and completely as though the Agent were the absolute owner thereof for all purposes, and to do at the Company' expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as the Company might do, including, without limitation, (i) the filing and prosecuting of registration and transfer applications with the appropriate federal or local agencies or authorities with respect to trademarks, copyrights and patentable inventions and processes, (ii) upon written notice to the Company, the exercise of voting rights with respect to voting securities, which rights may be exercised, if the Agent so elects, with a view to causing the liquidation in a commercially reasonable manner of assets of the issuer of any such securities and (iii) the execution, delivery and

recording, in connection with any sale or other disposition of any Collateral, of the endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral; and

(b) to file such financing statements with respect hereto, with or without the Company's signature, or a photocopy of this Agreement in substitution for a financing statement, as the Agent may deem appropriate and to execute in the Company's name such financing statements and amendments thereto and continuation statements which may require the Company's signature.

12.2. RATIFICATION BY COMPANY. To the extent permitted by law, the Company hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

12.3. NO DUTY ON AGENT. The powers conferred on the Agent hereunder are solely to protect the interests of the Agent and the Banks in the Collateral and shall not impose any duty upon the Agent to exercise any such powers. The Agent shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Company for any act or failure to act, except for the Agent's own gross negligence or willful misconduct.

13. REMEDIES. If an Event of Default shall have occurred and be continuing, the Agent may, without notice to or demand upon the Company, declare this Agreement to be in default, and the Agent shall thereafter have in any jurisdiction in which enforcement hereof is sought, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code, including, without limitation, the right to take possession of the Collateral, and for that purpose the Agent may, so far as the Company can give authority therefor, enter upon any premises on which the Collateral may be situated and remove the same therefrom. The Agent may in its discretion require the Company to assemble all or any part of the Collateral at such location or locations within the state(s) of the Company's principal office(s) or at such other locations as the Agent may designate. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Agent shall give to the Company at least five Business Days prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other intended disposition is to be made. The Company hereby acknowledges that five Business Days prior written notice of such sale or sales shall be reasonable notice. In addition, the Company waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Agent's rights hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights with respect thereto. To the extent that any of the Obligations are to be paid or performed by a

person other than the Company, the Company waives and agrees not to assert any rights or privileges which it may have under (S)9-112 of the Uniform Commercial Code of the Commonwealth of Massachusetts.

14. NO WAIVER, ETC. The Company waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect to both the Obligations and the Collateral, the Company assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of or failure to perfect any security interest in any Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Agent may deem advisable. The Agent shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof as set forth in (S)9.2. The Agent shall not be deemed to have waived any of its rights upon or under the Obligations or the Collateral unless such waiver shall be in writing and signed by the Agent with the consent of the Majority Banks. No delay or omission on the part of the Agent in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. All rights and remedies of the Agent with respect to the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly, alternatively, successively or concurrently at such time or at such times as the Agent deems expedient.

15. MARSHALLING. Neither the Agent nor any Bank shall be required to marshal any present or future collateral security (including but not limited to this Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of the rights of the Agent hereunder and of the Agent or any Bank in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Company hereby agrees that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Agent's rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, the Company hereby irrevocably waives the benefits of all such laws.

16. PROCEEDS OF DISPOSITIONS; EXPENSES. The Company shall pay to the Agent on demand any and all expenses, including reasonable attorneys' fees and disbursements, incurred or paid by the Agent in protecting, preserving or enforcing

the Agent's rights under or in respect of any of the Obligations or any of the Collateral. After deducting all of said expenses, the residue of any proceeds of collection or sale of the Obligations or Collateral shall, to the extent actually received in cash, be applied to the payment of the Obligations in such order or preference as the Bank may determine or in such order or preference as is provided in the Credit Agreement, proper allowance and provision being made for any Obligations not then due. Upon the final payment and satisfaction in full of all of the Obligations and after making any payments required by Section 9-504(1)(c) of the Uniform Commercial Code of the Commonwealth of Massachusetts, any excess shall be returned to the Company, and the Company shall remain liable for any deficiency in the payment of the Obligations.

17. OVERDUE AMOUNTS. Until paid, all amounts due and payable by the Company hereunder shall be a debt secured by the Collateral and shall bear, whether before or after judgment, interest at the rate of interest for overdue principal set forth in the Credit Agreement.

18. GOVERNING LAW; CONSENT TO JURISDICTION. THIS AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS. The Company agrees that any suit for the enforcement of this Agreement may be brought in the courts of the Commonwealth of Massachusetts or any federal court sitting therein and consents to the non-exclusive jurisdiction of such court and to service of process in any such suit being made upon the Company by mail at the address specified in the signature page of the Credit Agreement. The Company hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient court.

19. WAIVER OF JURY TRIAL. THE COMPANY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, the Company waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Company (i) certifies that neither the Agent or any Bank nor any representative, agent or attorney of the Agent or any Bank has represented, expressly or otherwise, that the Agent or any Bank would not, in the event of litigation, seek to enforce the foregoing waivers and (ii) acknowledges that, in entering into the Credit Agreement and the other Loan Documents to which the Agent or any Bank is a party, the Agent and the Banks are relying upon, among other things, the waivers and certifications contained in this (S)19.

20. MISCELLANEOUS. The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This

Agreement and all rights and obligations hereunder shall be binding upon the Company and its respective successors and assigns, and shall inure to the benefit of the Agent, the Banks and their respective successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. The Company acknowledges receipt of a copy of this Agreement.

21. TRANSITIONAL ARRANGEMENTS. This Amended and Restated Security Agreement shall supersede the Original Security Agreement on the Closing Date. On the Closing Date, the rights and obligations of the respective parties under the Original Security Agreement shall be subsumed within and governed by this Amended and Restated Security Agreement; provided, that the provisions of the Original Security Agreement shall remain in full force and effect prior to the Closing Date, and that the liens granted pursuant to the Original Security Agreement shall continue to be in effect hereunder as set forth in (S)2.1 hereof.

IN WITNESS WHEREOF, intending to be legally bound, the Company has caused this Agreement to be duly executed as of the date first above written.

PACIFIC DIRECT MARKETING CORP.

By:_____
Title:

Accepted:

BANKBOSTON, N.A.
(f/k/a The First National
Bank of Boston),
as Agent

By:_____
Title:

CERTIFICATE OF ACKNOWLEDGMENT

COMMONWEALTH OF MASSACHUSETTS_____)
) ss.
COUNTY OF SUFFOLK_____)

Before me, the undersigned, a Notary Public in and for the county aforesaid, on this _____ day of June, 1998, personally appeared _____ to me known personally, and who, being by me duly sworn, deposes and says that he is the _____ of Pacific Direct Marketing Corp., and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public
My commission expires:

EXHIBIT 10.66

AMENDED AND RESTATED TRADEMARK COLLATERAL SECURITY AND PLEDGE AGREEMENT

AMENDED AND RESTATED TRADEMARK COLLATERAL SECURITY AND PLEDGE AGREEMENT dated as of June 11, 1998, between Saleslink Corporation, a Delaware corporation having its principal place of business at 25 Drydock Avenue, Boston, Massachusetts, (the "Assignor"), and BankBoston, N.A. (formerly known as The First National Bank of Boston), a national banking association having an office at 100 Federal Street, Boston, Massachusetts as agent (hereinafter, in such capacity, the "Agent") for itself and other banking institutions (hereinafter, collectively, the "Banks") which are, or may in the future become, parties to an Amended and Restated Revolving Credit and Term Loan Agreement dated as of June 11, 1998 (as amended and in effect from time to time, the "Credit Agreement"), among the Assignor, the Banks, the Agent and certain other parties thereto.

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

WHEREAS, the Assignor has executed and delivered to the Agent, for the benefit of the Banks and the Agent, the Security Agreement (as defined in the Credit Agreement), pursuant to which the Assignor has granted to the Agent, for the benefit of the Banks and the Agent, a security interest in certain of the Assignor's personal property and fixture assets, including without limitation the trademarks, service marks, trademark and service mark registrations, and trademark and service mark registration applications listed on Schedule A attached hereto, all to secure the payment and performance of the Obligations (as defined in the Credit Agreement); and

WHEREAS, this Trademark Agreement is supplemental to the provisions contained in the Security Agreement;

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINITIONS.

Capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided therefor in the Credit Agreement and the Security Agreement. In addition, the following terms shall have the meanings set forth in this (S)1 or elsewhere in this Trademark Agreement referred to below:

Assignment of Marks. See (S)2.1.

Associated Goodwill. All goodwill of the Assignor and its business, products and services appurtenant to, associated with or symbolized by the Trademarks and the use thereof.

Pledged Trademarks. All of the Assignor's right, title and interest in and to all of the Trademarks, the Trademark Registrations, the Trademark License Rights, the Trademark Rights, the Associated Goodwill, the Related Assets, and all accessions to, substitutions for, replacements of, and all products and proceeds of any and all of the foregoing.

PTO. The United States Patent and Trademark Office.

Related Assets. All assets, rights and interests of the Assignor that uniquely reflect or embody the Associated Goodwill, including the following:

(a) all patents, inventions, copyrights, trade secrets, confidential information, formulae, methods or processes, compounds, recipes, know-how, methods and operating systems, drawings, descriptions, formulations, manufacturing and production and delivery procedures, quality control procedures, product and service specifications, catalogs, price lists, and advertising materials, relating to the manufacture, production, delivery, provision and sale of goods or services under or in association with any of the Trademarks; and

(b) the following documents and things in the possession or under the control of the Assignor, or subject to its demand for possession or control, related to the production, delivery, provision and sale by the Assignor, or any affiliate, franchisee, licensee or contractor, of products or services sold by or under the authority of the Assignor in connection with the Trademarks or Trademark Rights, whether prior to, on or subsequent to the date hereof:

(i) all lists, contracts, ancillary documents and other information that identify, describe or provide information with respect to any customers, dealers or distributors of the Assignor, its affiliates or franchisees or licensees or contractors, for products or services sold under or in connection with the Trademarks or Trademark Rights, including all lists and documents containing information regarding each customer's, dealer's or distributor's name and address, credit, payment, discount, delivery and other sale terms, and history, pattern and total of purchases by brand, product, style, size and quantity;

(ii) all agreements (including franchise agreements), product and service specification documents and operating, production and quality control manuals relating to or used in the design,

manufacture, production, delivery, provision and sale of products or services under or in connection with the Trademarks or Trademark Rights;

(iii) all documents and agreements relating to the identity and locations of all sources of supply, all terms of purchase and delivery, for all materials, components, raw materials and other supplies and services used in the manufacture, production, provision, delivery and sale of products or services under or in connection with the Trademarks or Trademark Rights; and

(iv) all agreements and documents constituting or concerning the present or future, current or proposed advertising and promotion by the Assignor (or any of its affiliates, franchisees, licensees or contractors) of products or services sold under or in connection with the Trademarks or Trademark Rights.

Trademark Agreement. This Trademark Collateral Security and Pledge Agreement, as amended and in effect from time to time.

Trademark License Rights. Any and all past, present or future rights and interests of the Assignor pursuant to any and all past, present and future franchising or licensing agreements in favor of the Assignor, or to which the Assignor is a party, pertaining to any Trademarks, Trademark Registrations, or Trademark Rights owned or used by third parties in the past, present or future, including the right (but not the obligation) in the name of the Assignor or the Agent to enforce, and sue and recover for, any breach or violation of any such agreement to which the Assignor is a party.

Trademark Registrations. All past, present or future federal, state, local and foreign registrations of the Trademarks, all past, present and future applications for any such registrations (and any such registrations thereof upon approval of such applications), together with the right (but not the obligation) to apply for such registrations (and prosecute such applications) in the name of the Assignor or the Agent, and to take any and all actions necessary or appropriate to maintain such registrations in effect and renew and extend such registrations.

Trademark Rights. Any and all past, present or future rights in, to and associated with the Trademarks throughout the world, whether arising under federal law, state law, common law, foreign law or otherwise, including the following: all such rights arising out of or associated with the Trademark Registrations; the right (but not the obligation) to register claims under any state, federal or foreign trademark law or regulation; the right (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of the Assignor or the Agent for any and all past, present and future infringements or dilution of or any other damages or injury to the Trademarks, the Trademark Rights, or the Associated Goodwill, and the rights to damages or profits due or accrued arising

out of or in connection with any such past, present or future infringement, dilution, damage or injury; and the Trademark License Rights.

Trademarks. All of the trademarks, service marks, designs, logos, indicia, trade names, corporate names, company names, business names, fictitious business names, trade styles, elements of package or trade dress, and other source and product or service identifiers, used or associated with or appurtenant to the products, services and businesses of the Assignor, that (i) are set forth on Schedule A hereto, or (ii) have been adopted, acquired, owned, held or used by the Assignor or are now owned, held or used by the Assignor, in the Assignor's business, or with the Assignor's products and services, or in which the Assignor has any right, title or interest, or (iii) are in the future adopted, acquired, owned, held and used by the Assignor in the Assignor's business or with the Assignor's products and services, or in which the Assignor in the future acquires any right, title or interest.

use. With respect to any Trademark, all uses of such Trademark by, for or in connection with the Assignor or its business or for the direct or indirect benefit of the Assignor or its business, including all such uses by the Assignor itself, by any of the affiliates of the Assignor, or by any franchisee, licensee or contractor of the Assignor.

Unless otherwise provided herein, the rules of interpretation set forth in (S)* of the Credit Agreement shall be applicable to this Trademark Agreement.

2. GRANT OF SECURITY INTEREST.

2.1. SECURITY INTEREST; ASSIGNMENT OF MARKS.

As collateral security for the payment and performance in full of all of the Obligations, the Assignor hereby unconditionally grants to the Agent, for the benefit of the Banks and the Agent, a continuing security interest in and first priority lien on the Pledged Trademarks, and pledges and mortgages (but does not transfer title to) the Pledged Trademarks to the Agent for the benefit of the Banks and the Agent. In addition, the Assignor has executed in blank and delivered to the Agent an assignment of federally registered trademarks in substantially the form of Exhibit 1 hereto (the "Assignment of Marks") but specifically excluding all intent to use filing. The Assignor hereby authorizes the Agent to complete as assignee and record with the PTO the Assignment of Marks upon the occurrence and during the continuance of an Event of Default and the proper exercise of the Agent's remedies under this Trademark Agreement and the Security Agreement.

2.2. CONDITIONAL ASSIGNMENT.

In addition to, and not by way of limitation of, the grant, pledge and mortgage of the Pledged Trademarks provided in (S)2.1, the Assignor grants, assigns, transfers, conveys and sets over to the Agent, for the benefit of the Banks and the Agent, the Assignor's entire right, title and interest in and to the Pledged Trademarks; provided that such grant, assignment, transfer and conveyance shall be and become of force and effect only (i) upon or after the occurrence and during the continuance of an Event of Default and (ii) either (A)

upon the written demand of the Agent at any time during such continuance or (B) immediately and automatically (without notice or action of any kind by the Agent) upon an Event of Default for which acceleration of the Loans is automatic under the Credit Agreement or upon the sale or other disposition of or foreclosure upon the Collateral pursuant to the Security Agreement and applicable law (including the transfer or other disposition of the Collateral by the Assignor to the Agent or its nominee in lieu of foreclosure).

2.3. SUPPLEMENTAL TO SECURITY AGREEMENT.

Pursuant to the Security Agreement the Assignor has granted to the Agent, for the benefit of the Banks and the Agent, a continuing security interest in and lien on the Collateral (including the Pledged Trademarks). The Security Agreement, and all rights and interests of the Agent in and to the Collateral (including the Pledged Trademarks) thereunder, are hereby ratified and confirmed in all respects. In no event shall this Trademark Agreement, the grant, assignment, transfer and conveyance of the Pledged Trademarks hereunder, or the recordation of this Trademark Agreement (or any document hereunder) with the PTO, adversely affect or impair, in any way or to any extent, the Security Agreement, the security interest of the Agent in the Collateral (including the Pledged Trademarks) pursuant to the Security Agreement and this Trademark Agreement, the attachment and perfection of such security interest under the Uniform Commercial Code (including the security interest in the Pledged Marks), or any present or future rights and interests of the Agent in and to the Collateral under or in connection with the Security Agreement, this Trademark Agreement or the Uniform Commercial Code. Any and all rights and interests of the Agent in and to the Pledged Trademarks (and any and all obligations of the Assignor with respect to the Pledged Trademarks) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of the Agent (and the obligations of the Assignor) in, to or with respect to the Collateral (including the Pledged Trademarks) provided in or arising under or in connection with the Security Agreement and shall not be in derogation thereof.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS.

The Assignor represents, warrants and covenants that: (i) Schedule A sets forth a true and complete list of all Trademarks and Trademark Registrations now owned, licensed, controlled or used by the Assignor; (ii) the Trademarks and Trademark Registrations are subsisting and have not been adjudged invalid or unenforceable, in whole or in part, and there is no litigation or proceeding pending concerning the validity or enforceability of the Trademarks or Trademark Registrations; (iii) to the best of the Assignor's knowledge, each of the Trademarks and Trademark Registrations is valid and enforceable; (iv) to the best of the Assignor's knowledge, there is no infringement by others of the Trademarks, Trademark Registrations or Trademark Rights; (v) no claim has been made that the use of any of the Trademarks does or may violate the rights of any third person, and to the best of the Assignor's knowledge, there is no infringement by the Assignor of the trademark rights of others; (vi) the Assignor is the sole and

exclusive owner of the entire and unencumbered right, title and interest in and to each of the Trademarks (other than ownership and other rights reserved by third party owners with respect to Trademarks that the Assignor is licensed to use), free and clear of any liens, charges, encumbrances and adverse claims, including pledges, assignments, licenses, registered user agreements and covenants by the Assignor not to sue third persons, other than the security interest and assignment created by the Security Agreement and this Trademark Agreement; (vii) the Assignor has the unqualified right to enter into this Trademark Agreement and to perform its terms and has entered and will enter into written agreements with each of its present and future employees, agents, consultants, licensors and licensees that will enable them to comply with the covenants herein contained; (viii) the Assignor has used, and will continue to use, proper statutory and other appropriate proprietary notices in connection with its use of the Trademarks; (ix) the Assignor has used, and will continue to use for the duration of this Trademark Agreement, consistent standards of quality in its manufacture and provision of products and services sold or provided under the Trademarks; (x) this Trademark Agreement, together with the Security Agreement, will create in favor of the Agent a valid and perfected first priority security interest in the Pledged Trademarks upon making the filings referred to in clause (xi) of this (S)3; and (xi) except for the filing of financing statements with the Secretary of State for the Commonwealth of Massachusetts under the Uniform Commercial Code and the recording of this Trademark Agreement with the PTO, no authorization, approval or other action by, and no notice to or filing with, any governmental or regulatory authority, agency or office is required either (A) for the grant by the Assignor or the effectiveness of the security interest and assignment granted hereby or for the execution, delivery and performance of this Trademark Agreement by the Assignor, or (B) for the perfection of or the exercise by the Agent of any of its rights and remedies hereunder.

4. INSPECTION RIGHTS.

The Assignor hereby grants to each of the Agent and the Banks and its employees and agents the right to visit the Assignor's plants and facilities that manufacture, inspect or store products sold under any of the Trademarks, and to inspect the products and quality control records relating thereto at reasonable times during regular business hours.

5. NO TRANSFER OR INCONSISTENT AGREEMENTS.

Without the Agent's prior written consent and except for licenses of the Pledged Trademarks in the ordinary course of the Assignor's business consistent with its past practices, the Assignor will not (i) mortgage, pledge, assign, encumber, grant a security interest in, transfer, license or alienate any of the Pledged Trademarks, or (ii) enter into any agreement (for example, a license agreement) that is inconsistent with the Assignor's obligations under this Trademark Agreement or the Security Agreement.

6. AFTER-ACQUIRED TRADEMARKS, ETC.

6.1. AFTER-ACQUIRED TRADEMARKS.

If, before the Obligations shall have been finally paid and satisfied in full, the Assignor shall obtain any right, title or interest in or to any other or new Trademarks, Trademark Registrations or Trademark Rights, the provisions of this Trademark Agreement shall automatically apply thereto and the Assignor shall promptly provide to the Agent notice thereof in writing and execute and deliver to the Agent such documents or instruments as the Agent may reasonably request further to implement, preserve or evidence the Agent's interest therein.

6.2. AMENDMENT TO SCHEDULE.

The Assignor authorizes the Agent to modify this Trademark Agreement and the Assignment of Marks, without the necessity of the Assignor's further approval or signature, by amending Exhibit A hereto and the Annex to the Assignment of Marks to include any future or other Trademarks, Trademark Registrations or Trademark Rights under (S)2 or (S)6.

7. TRADEMARK PROSECUTION.

7.1. ASSIGNOR RESPONSIBLE.

The Assignor shall assume full and complete responsibility for the prosecution, defense, enforcement or any other necessary or desirable actions in connection with the Pledged Trademarks, and shall hold each of the Agent and the Banks harmless from any and all costs, damages, liabilities and expenses that may be incurred by the Agent or any Bank in connection with the Agent's interest in the Pledged Trademarks or any other action or failure to act in connection with this Trademark Agreement or the transactions contemplated hereby. In respect of such responsibility, the Assignor shall retain trademark counsel acceptable to the Agent.

7.2. ASSIGNOR'S DUTIES, ETC.

The Assignor shall have the right and the duty, through trademark counsel acceptable to the Agent, to prosecute diligently any trademark registration applications of the Trademarks pending as of the date of this Trademark Agreement or thereafter, to preserve and maintain all rights in the Trademarks and Trademark Registrations, including the filing of appropriate renewal applications and other instruments to maintain in effect the Trademark Registrations and the payment when due of all registration renewal fees and other fees, taxes and other expenses that shall be incurred or that shall accrue with respect to any of the Trademarks or Trademark Registrations. Any expenses incurred in connection with such applications and actions shall be borne by the Assignor. The Assignor shall not abandon any filed trademark registration application, or any Trademark Registration or Trademark, without the consent of the Agent, which consent shall not be unreasonably withheld.

7.3. ASSIGNOR'S ENFORCEMENT RIGHTS.

The Assignor shall have the right and the duty to bring suit or other action in the Assignor's own name to maintain and enforce the Trademarks, the Trademark Registrations and the Trademark Rights. The Assignor may require the Agent to join in such suit or action as necessary to assure the Assignor's ability to bring and maintain any such suit or action in any proper forum if (but only if) the Agent is completely satisfied that such joinder will

not subject the Agent or any Bank to any risk of liability. The Assignor shall promptly, upon demand, reimburse and indemnify the Agent for all damages, costs and expenses, including legal fees, incurred by the Agent pursuant to this (S)7.3.

7.4. PROTECTION OF TRADEMARKS, ETC.

In general, the Assignor shall take any and all such actions (including institution and maintenance of suits, proceedings or actions) as may be necessary or appropriate to properly maintain, protect, preserve, care for and enforce the Pledged Trademarks. The Assignor shall not take or fail to take any action, nor permit any action to be taken or not taken by others under its control, that would adversely affect the validity, grant or enforcement of the Pledged Trademarks.

7.5. NOTIFICATION BY ASSIGNOR.

Promptly upon obtaining knowledge thereof, the Assignor will notify the Agent in writing of the institution of, or any final adverse determination in, any proceeding in the PTO or any similar office or agency of the United States or any foreign country, or any court, regarding the validity of any of the Trademarks or Trademark Registrations or the Assignor's rights, title or interests in and to the Pledged Trademarks, and of any event that does or reasonably could materially adversely affect the value of any of the Pledged Trademarks, the ability of the Assignor or the Agent to dispose of any of the Pledged Trademarks or the rights and remedies of the Agent in relation thereto (including but not limited to the levy of any legal process against any of the Pledged Trademarks).

8. REMEDIES.

Upon the occurrence and during the continuance of an Event of Default, the Agent shall have, in addition to all other rights and remedies given it by this Trademark Agreement (including, without limitation, those set forth in (S)2.2, the Credit Agreement, the Security Agreement and the other Loan Documents, those allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in the Commonwealth of Massachusetts, and, without limiting the generality of the foregoing, the Agent may immediately, without demand of performance and without other notice (except as set forth next below) or demand whatsoever to the Assignor, all of which are hereby expressly waived, sell or license at public or private sale or otherwise realize upon the whole or from time to time any part of the Pledged Trademarks, or any interest that the Assignor may have therein, and after deducting from the proceeds of sale or other disposition of the Pledged Trademarks all expenses incurred by the Agent in attempting to enforce this Trademark Agreement (including all reasonable expenses for broker's fees and legal services), shall apply the residue of such proceeds toward the payment of the Obligations as set forth in or by reference in the Security Agreement. Notice of any sale, license or other disposition of the Pledged Trademarks shall be given to the Assignor at least five (5) days before the time that any intended public sale or other public disposition of the Pledged Trademarks is to be made or after which any private sale or other private disposition of the Pledged Trademarks may be made, which the Assignor hereby agrees shall be reasonable

notice of such public or private sale or other disposition. At any such sale or other disposition, the Agent may, to the extent permitted under applicable law, purchase or license the whole or any part of the Pledged Trademarks or interests therein sold, licensed or otherwise disposed of.

9. COLLATERAL PROTECTION.

If the Assignor shall fail to do any act that it has covenanted to do hereunder, or if any representation or warranty of the Assignor shall be breached, the Agent, in its own name or that of the Assignor (in the sole discretion of the Agent), may (but shall not be obligated to) do such act or remedy such breach (or cause such act to be done or such breach to be remedied), and the Assignor agrees promptly to reimburse the Agent for any cost or expense incurred by the Agent in so doing.

10. POWER OF ATTORNEY.

If any Event of Default shall have occurred and be continuing, the Assignor does hereby make, constitute and appoint the Agent (and any officer or agent of the Agent as the Agent may select in its exclusive discretion) as the Assignor's true and lawful attorney-in-fact, with full power of substitution and with the power to endorse the Assignor's name on all applications, documents, papers and instruments necessary for the Agent to use the Pledged Trademarks, or to grant or issue any exclusive or nonexclusive license of any of the Pledged Trademarks to any third person, or to take any and all actions necessary for the Agent to assign, pledge, convey or otherwise transfer title in or dispose of any of the Pledged Trademarks or any interest of the Assignor therein to any third person, and, in general, to execute and deliver any instruments or documents and do all other acts that the Assignor is obligated to execute and do hereunder. The Assignor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof and releases each of the Agent and the Banks from any claims, liabilities, causes of action or demands arising out of or in connection with any action taken or omitted to be taken by the Agent under this power of attorney (except for the Agent's gross negligence or willful misconduct). This power of attorney is coupled with an interest and shall be irrevocable for the duration of this Trademark Agreement.

11. FURTHER ASSURANCES.

The Assignor shall, at any time and from time to time, and at its expense, make, execute, acknowledge and deliver, and file and record as necessary or appropriate with governmental or regulatory authorities, agencies or offices, such agreements, assignments, documents and instruments, and do such other and further acts and things (including, without limitation, obtaining consents of third parties), as the Agent may request or as may be necessary or appropriate in order to implement and effect fully the intentions, purposes and provisions of this Trademark Agreement, or to assure and confirm to the Agent the grant, perfection and priority of the Agent's security interest in the Pledged Trademarks.

12. TERMINATION.

At such time as all of the Obligations have been finally paid and satisfied in full, this Trademark Agreement shall terminate and the Agent shall, upon the written request and at the expense of the Assignor, execute and deliver to the Assignor all deeds, assignments and other instruments as may be necessary or proper to reassign and reconvey to and re-vest in the Assignor the entire right, title and interest to the Pledged Trademarks previously granted, assigned, transferred and conveyed to the Agent by the Assignor pursuant to this Trademark Agreement, as fully as if this Trademark Agreement had not been made, subject to any disposition of all or any part thereof that may have been made by the Agent pursuant hereto or the Security Agreement.

13. COURSE OF DEALING.

No course of dealing between the Assignor and the Agent, nor any failure to exercise, nor any delay in exercising, on the part of the Agent, any right, power or privilege hereunder or under the Security Agreement or any other agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

14. EXPENSES.

Any and all fees, costs and expenses, of whatever kind or nature, including the reasonable attorneys' fees and expenses incurred by the Agent in connection with the preparation of this Trademark Agreement and all other documents relating hereto, the consummation of the transactions contemplated hereby or the enforcement hereof, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance or renewal fees, encumbrances, or otherwise protecting, maintaining or preserving the Pledged Trademarks, or in defending or prosecuting any actions or proceedings arising out of or related to the Pledged Trademarks, shall be borne and paid by the Assignor.

15. OVERDUE AMOUNTS.

Until paid, all amounts due and payable by the Assignor hereunder shall be a debt secured by the Pledged Trademarks and other Collateral and shall bear, whether before or after judgment, interest at the rate of interest for overdue principal set forth in the Credit Agreement.

16. NO ASSUMPTION OF LIABILITY; INDEMNIFICATION.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, NEITHER THE AGENT NOR ANY BANK ASSUMES ANY LIABILITIES OF THE ASSIGNOR WITH RESPECT TO ANY CLAIM OR CLAIMS REGARDING THE ASSIGNOR'S OWNERSHIP OR PURPORTED

OWNERSHIP OF, OR RIGHTS OR PURPORTED RIGHTS ARISING FROM, ANY OF THE PLEDGED TRADEMARKS OR ANY USE, LICENSE OR SUBLICENSE THEREOF, WHETHER ARISING OUT OF ANY PAST, CURRENT OR FUTURE EVENT, CIRCUMSTANCE, ACT OR OMISSION OR OTHERWISE. ALL OF SUCH LIABILITIES SHALL BE EXCLUSIVELY THE RESPONSIBILITY OF THE ASSIGNOR, AND THE ASSIGNOR SHALL INDEMNIFY THE AGENT AND THE BANKS FOR ANY AND ALL COSTS, EXPENSES, DAMAGES AND CLAIMS, INCLUDING LEGAL FEES, INCURRED BY THE AGENT OR ANY BANK WITH RESPECT TO SUCH LIABILITIES.

17. NOTICES.

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

(a) if to the Assignor, at 25 Drydock Avenue, Massachusetts, Attention: President, or at such other address for notice as the Assignor shall last have furnished in writing to the person giving the notice, with copies to Palmer & Dodge LLP, One Beacon Street, Boston, Massachusetts, Attention: William Williams, Esq.; and

(b) if to the Agent, at 100 Federal Street, Boston, Massachusetts, Attention: Tena C. Lindenauer or at such other address for notice as the Agent shall last have furnished in writing to the person giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer, (ii) if sent by registered or certified first-class mail, postage prepaid, two (2) Business Days after the posting thereof, and (iii) if sent by telegraph, telecopy, or telex, at the time of the dispatch thereof, if in normal business hours in the country of receipt, or otherwise at the opening of business on the following Business Day.

18. AMENDMENT AND WAIVER.

This Trademark Agreement is subject to modification only by a writing signed by the Agent (with the consent of the Majority Banks) and the Assignor, except as provided in (S)6.2. The Agent shall not be deemed to have waived any right hereunder unless such waiver shall be in writing and signed by the Agent and the Majority Banks. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion.

19. GOVERNING LAW; CONSENT TO JURISDICTION.

THIS TRADEMARK AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS. The Assignor agrees that any suit for the enforcement of this Trademark Agreement may be brought in the courts of the Commonwealth of Massachusetts or any federal court sitting therein and consents to the non-exclusive jurisdiction of such court and to service of process in any such suit being made upon the Assignor by mail at the address specified in (S)17. The Assignor hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient court.

20. WAIVER OF JURY TRIAL.

THE ASSIGNOR WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS TRADEMARK AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, the Assignor waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Assignor (i) certifies that neither the Agent or any Bank nor any representative, agent or attorney of the Agent or any Bank has represented, expressly or otherwise, that the Agent or any Bank would not, in the event of litigation, seek to enforce the foregoing waivers, and (ii) acknowledges that, in entering into the Credit Agreement and the other Loan Documents to which the Agent or any Bank is a party, the Agent and the Banks are relying upon, among other things, the waivers and certifications contained in this (S)20.

21. MISCELLANEOUS.

The headings of each section of this Trademark Agreement are for convenience only and shall not define or limit the provisions thereof. This Trademark Agreement and all rights and obligations hereunder shall be binding upon the Assignor and its respective successors and assigns, and shall inure to the benefit of the Agent, the Banks and their respective successors and assigns. In the event of any irreconcilable conflict between the provisions of this Trademark Agreement and the Credit Agreement, or between this Trademark Agreement and the Security Agreement, the provisions of the Credit Agreement or the Security Agreement, as the case may be, shall control. If any term of this Trademark Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Trademark Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. The Assignor acknowledges receipt of a copy of this Trademark Agreement.

IN WITNESS WHEREOF, this Trademark Agreement has been executed as of the day and year first above written.

SALESLINK CORPORATION

By:_____
Name:
Title:

BANKBOSTON, N.A., as Agent

By:_____
Name:
Title:

CERTIFICATE OF ACKNOWLEDGMENT

COMMONWEALTH OF MASSACHUSETTS _____)
) ss.
COUNTY OF SUFFOLK _____)

Before me, the undersigned, a Notary Public in and for the county aforesaid, on this __ day of June, 1998, personally appeared _____ to me known personally, and who, being by me duly sworn, deposes and says that he is the _____ of SalesLink Corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public
My commission expires:

SCHEDULE A

TRADEMARKS AND TRADEMARK REGISTRATIONS

Trademark or Service Mark	Registrations -- United States Patent and Trademark Office Registration No.	Registration Date

Trademark or Service Mark	Pending Applications -- United States Patent and Trademark Office Serial No.	Filing Date

EXHIBIT 1

ASSIGNMENT OF TRADEMARKS AND SERVICE MARKS (U.S.)

WHEREAS, SalesLink Corporation, a corporation organized and existing under the laws of the State of Delaware, having a place of business at 25 Drydock Avenue, Boston, Massachusetts (the "Assignor"), has adopted and used and is using the trademarks and service marks (the "Marks") identified on the Annex hereto, and is the owner of the registrations of and pending registration applications for such Marks in the United States Patent and Trademark Office identified on such Annex; and

WHEREAS, _____, a _____ organized and existing under the laws of the State of _____, having a place of business at _____ (the "Assignee"), is desirous of acquiring the Marks and the registrations thereof and registration applications therefor;

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, the Assignor does hereby assign, sell and transfer unto the Assignee all right, title and interest in and to the Marks, together with (i) the registrations of and registration applications for the Marks, (ii) the goodwill of the business symbolized by and associated with the Marks and the registrations thereof, and (iii) the right to sue and recover for, and the right to profits or damages due or accrued arising out of or in connection with, any and all past, present or future infringements or dilution of or damage or injury to the Marks or the registrations thereof or such associated goodwill.

This Assignment of Trademarks and Service Marks (U.S.) is intended to and shall take effect as a sealed instrument at such time as the Assignee shall complete this instrument by inserting its name in the second paragraph above and signing its acceptance of this Assignment of Trademarks and Service Marks (U.S.) below.

IN WITNESS WHEREOF, the Assignor, by its duly authorized officer, has executed this assignment, as an instrument under seal, on this __ day of ___, 199__.

SALESLINK CORPORATION

By:_____
Title:

The foregoing assignment of the Marks and the registrations thereof and registration applications therefor by the Assignor to the Assignee is hereby accepted as of the _____ day of __, 199__.

_____

By:
Title:

COMMONWEALTH OR STATE OF*_____)
) ss.
COUNTY OF*_____)

On this the ___ day of ___, 199__, before me appeared _____, the person who signed this instrument, who acknowledged that (s)he is the ____ of _____ and that being duly authorized (s)he signed such instrument as a free act on behalf of _____.

_____
Notary Public

[Seal]

My commission expires:

ANNEX

Trademark or Service Mark	Registrations -- United States Patent and Trademark Office Registration No.	Registration Date
	74/022783	July 22, 1996

Trademark or Service Mark	Pending Applications -- United States Patent and Trademark Office Serial No.	Filing Date

TRADEMARK COLLATERAL SECURITY AND PLEDGE AGREEMENT

TRADEMARK COLLATERAL SECURITY AND PLEDGE AGREEMENT dated as of June 11, 1998, between InSolutions Incorporated, a Delaware corporation having its principal place of business at 2940 Kifer Road, Santa Clara, California 95051, (the "Assignor"), and BankBoston, N.A. (formerly known as The First National Bank of Boston), a national banking association having an office at 100 Federal Street, Boston, Massachusetts as agent (hereinafter, in such capacity, the "Agent") for itself and other banking institutions (hereinafter, collectively, the "Banks") which are, or may in the future become, parties to an Amended and Restated Revolving Credit and Term Loan Agreement dated as of June 11, 1998 (as amended and in effect from time to time, the "Credit Agreement"), among the Assignor, the Banks, the Agent and certain other parties thereto.

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

WHEREAS, the Assignor has executed and delivered to the Agent, for the benefit of the Banks and the Agent, the Security Agreement (as defined in the Credit Agreement), pursuant to which the Assignor has granted to the Agent, for the benefit of the Banks and the Agent, a security interest in certain of the Assignor's personal property and fixture assets, including without limitation the trademarks, service marks, trademark and service mark registrations, and trademark and service mark registration applications listed on Schedule A attached hereto, all to secure the payment and performance of the Obligations (as defined in the Credit Agreement); and

WHEREAS, this Trademark Agreement is supplemental to the provisions contained in the Security Agreement;

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINITIONS.

Capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided therefor in the Credit Agreement and the Security Agreement. In addition, the following terms shall have the meanings set forth in this (S)1 or elsewhere in this Trademark Agreement referred to below:

Assignment of Marks. See (S)2.1.

Associated Goodwill. All goodwill of the Assignor and its business, products and services appurtenant to, associated with or symbolized by the Trademarks and the use thereof.

Pledged Trademarks. All of the Assignor's right, title and interest in and to all of the Trademarks, the Trademark Registrations, the Trademark License Rights, the Trademark Rights, the Associated Goodwill, the Related Assets, and all accessions to, substitutions for, replacements of, and all products and proceeds of any and all of the foregoing.

PTO. The United States Patent and Trademark Office.

Related Assets. All assets, rights and interests of the Assignor that uniquely reflect or embody the Associated Goodwill, including the following:

(a) all patents, inventions, copyrights, trade secrets, confidential information, formulae, methods or processes, compounds, recipes, know-how, methods and operating systems, drawings, descriptions, formulations, manufacturing and production and delivery procedures, quality control procedures, product and service specifications, catalogs, price lists, and advertising materials, relating to the manufacture, production, delivery, provision and sale of goods or services under or in association with any of the Trademarks; and

(b) the following documents and things in the possession or under the control of the Assignor, or subject to its demand for possession or control, related to the production, delivery, provision and sale by the Assignor, or any affiliate, franchisee, licensee or contractor, of products or services sold by or under the authority of the Assignor in connection with the Trademarks or Trademark Rights, whether prior to, on or subsequent to the date hereof:

(i) all lists, contracts, ancillary documents and other information that identify, describe or provide information with respect to any customers, dealers or distributors of the Assignor, its affiliates or franchisees or licensees or contractors, for products or services sold under or in connection with the Trademarks or Trademark Rights, including all lists and documents containing information regarding each customer's, dealer's or distributor's name and address, credit, payment, discount, delivery and other sale terms, and history, pattern and total of purchases by brand, product, style, size and quantity;

(ii) all agreements (including franchise agreements), product and service specification documents and operating, production and quality control manuals relating to or used in the design, manufacture, production, delivery, provision and sale of products or

services under or in connection with the Trademarks or Trademark Rights;

(iii) all documents and agreements relating to the identity and locations of all sources of supply, all terms of purchase and delivery, for all materials, components, raw materials and other supplies and services used in the manufacture, production, provision, delivery and sale of products or services under or in connection with the Trademarks or Trademark Rights; and

(iv) all agreements and documents constituting or concerning the present or future, current or proposed advertising and promotion by the Assignor (or any of its affiliates, franchisees, licensees or contractors) of products or services sold under or in connection with the Trademarks or Trademark Rights.

Trademark Agreement. This Trademark Collateral Security and Pledge Agreement, as amended and in effect from time to time.

Trademark License Rights. Any and all past, present or future rights and interests of the Assignor pursuant to any and all past, present and future franchising or licensing agreements in favor of the Assignor, or to which the Assignor is a party, pertaining to any Trademarks, Trademark Registrations, or Trademark Rights owned or used by third parties in the past, present or future, including the right (but not the obligation) in the name of the Assignor or the Agent to enforce, and sue and recover for, any breach or violation of any such agreement to which the Assignor is a party.

Trademark Registrations. All past, present or future federal, state, local and foreign registrations of the Trademarks, all past, present and future applications for any such registrations (and any such registrations thereof upon approval of such applications), together with the right (but not the obligation) to apply for such registrations (and prosecute such applications) in the name of the Assignor or the Agent, and to take any and all actions necessary or appropriate to maintain such registrations in effect and renew and extend such registrations.

Trademark Rights. Any and all past, present or future rights in, to and associated with the Trademarks throughout the world, whether arising under federal law, state law, common law, foreign law or otherwise, including the following: all such rights arising out of or associated with the Trademark Registrations; the right (but not the obligation) to register claims under any state, federal or foreign trademark law or regulation; the right (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of the Assignor or the Agent for any and all past, present and future infringements or dilution of or any other damages or injury to the Trademarks, the Trademark Rights, or the Associated Goodwill, and the rights to damages or profits due or accrued arising out of or in connection with any such past, present or future infringement, dilution, damage or injury; and the Trademark License Rights.

Trademarks. All of the trademarks, service marks, designs, logos, indicia, trade names, corporate names, company names, business names, fictitious business names, trade styles, elements of package or trade dress, and other source and product or service identifiers, used or associated with or appurtenant to the products, services and businesses of the Assignor, that (i) are set forth on Schedule A hereto, or (ii) have been adopted, acquired, owned, held or used by the Assignor or are now owned, held or used by the Assignor, in the Assignor's business, or with the Assignor's products and services, or in which the Assignor has any right, title or interest, or (iii) are in the future adopted, acquired, owned, held and used by the Assignor in the Assignor's business or with the Assignor's products and services, or in which the Assignor in the future acquires any right, title or interest.

use. With respect to any Trademark, all uses of such Trademark by, for or in connection with the Assignor or its business or for the direct or indirect benefit of the Assignor or its business, including all such uses by the Assignor itself, by any of the affiliates of the Assignor, or by any franchisee, licensee or contractor of the Assignor.

Unless otherwise provided herein, the rules of interpretation set forth in (S)* of the Credit Agreement shall be applicable to this Trademark Agreement.

2. GRANT OF SECURITY INTEREST.

2.1. SECURITY INTEREST; ASSIGNMENT OF MARKS. As collateral security for the payment and performance in full of all of the Obligations, the Assignor hereby unconditionally grants to the Agent, for the benefit of the Banks and the Agent, a continuing security interest in and first priority lien on the Pledged Trademarks, and pledges and mortgages (but does not transfer title to) the Pledged Trademarks to the Agent for the benefit of the Banks and the Agent. In addition, the Assignor has executed in blank and delivered to the Agent an assignment of federally registered trademarks in substantially the form of Exhibit 1 hereto (the "Assignment of Marks") but specifically excluding all intent to use filings. The Assignor hereby authorizes the Agent to complete as assignee and record with the PTO the Assignment of Marks upon the occurrence and during the continuance of an Event of Default and the proper exercise of the Agent's remedies under this Trademark Agreement and the Security Agreement.

2.2. CONDITIONAL ASSIGNMENT. In addition to, and not by way of limitation of, the grant, pledge and mortgage of the Pledged Trademarks provided in (S)2.1, the Assignor grants, assigns, transfers, conveys and sets over to the Agent, for the benefit of the Banks and the Agent, the Assignor's entire right, title and interest in and to the Pledged Trademarks; provided that such grant, assignment, transfer and conveyance shall be and become of force and effect only (i) upon or after the occurrence and during the continuance of an Event of Default and (ii) either (A) upon the written demand of the Agent at any time during such continuance or (B) immediately and automatically (without notice or action of any kind by the Agent)

upon an Event of Default for which acceleration of the Loans is automatic under the Credit Agreement or upon the sale or other disposition of or foreclosure upon the Collateral pursuant to the Security Agreement and applicable law (including the transfer or other disposition of the Collateral by the Assignor to the Agent or its nominee in lieu of foreclosure).

2.3. SUPPLEMENTAL TO SECURITY AGREEMENT. Pursuant to the Security Agreement the Assignor has granted to the Agent, for the benefit of the Banks and the Agent, a continuing security interest in and lien on the Collateral (including the Pledged Trademarks). The Security Agreement, and all rights and interests of the Agent in and to the Collateral (including the Pledged Trademarks) thereunder, are hereby ratified and confirmed in all respects. In no event shall this Trademark Agreement, the grant, assignment, transfer and conveyance of the Pledged Trademarks hereunder, or the recordation of this Trademark Agreement (or any document hereunder) with the PTO, adversely affect or impair, in any way or to any extent, the Security Agreement, the security interest of the Agent in the Collateral (including the Pledged Trademarks) pursuant to the Security Agreement and this Trademark Agreement, the attachment and perfection of such security interest under the Uniform Commercial Code (including the security interest in the Pledged Marks), or any present or future rights and interests of the Agent in and to the Collateral under or in connection with the Security Agreement, this Trademark Agreement or the Uniform Commercial Code. Any and all rights and interests of the Agent in and to the Pledged Trademarks (and any and all obligations of the Assignor with respect to the Pledged Trademarks) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of the Agent (and the obligations of the Assignor) in, to or with respect to the Collateral (including the Pledged Trademarks) provided in or arising under or in connection with the Security Agreement and shall not be in derogation thereof.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS.

The Assignor represents, warrants and covenants that: (i) Schedule A sets forth a true and complete list of all Trademarks and Trademark Registrations now owned, licensed, controlled or used by the Assignor; (ii) the Trademarks and Trademark Registrations are subsisting and have not been adjudged invalid or unenforceable, in whole or in part, and there is no litigation or proceeding pending concerning the validity or enforceability of the Trademarks or Trademark Registrations; (iii) to the best of the Assignor's knowledge, each of the Trademarks and Trademark Registrations is valid and enforceable; (iv) to the best of the Assignor's knowledge, there is no infringement by others of the Trademarks, Trademark Registrations or Trademark Rights; (v) no claim has been made that the use of any of the Trademarks does or may violate the rights of any third person, and to the best of the Assignor's knowledge, there is no infringement by the Assignor of the trademark rights of others; (vi) the Assignor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Trademarks (other than ownership and other rights reserved by third

party owners with respect to Trademarks that the Assignor is licensed to use), free and clear of any liens, charges, encumbrances and adverse claims, including pledges, assignments, licenses, registered user agreements and covenants by the Assignor not to sue third persons, other than the security interest and assignment created by the Security Agreement and this Trademark Agreement; (vii) the Assignor has the unqualified right to enter into this Trademark Agreement and to perform its terms and has entered and will enter into written agreements with each of its present and future employees, agents, consultants, licensors and licensees that will enable them to comply with the covenants herein contained; (viii) the Assignor has used, and will continue to use, proper statutory and other appropriate proprietary notices in connection with its use of the Trademarks; (ix) the Assignor has used, and will continue to use for the duration of this Trademark Agreement, consistent standards of quality in its manufacture and provision of products and services sold or provided under the Trademarks; (x) this Trademark Agreement, together with the Security Agreement, will create in favor of the Agent a valid and perfected first priority security interest in the Pledged Trademarks upon making the filings referred to in clause (xi) of this (S)3; and (xi) except for the filing of financing statements with the Secretary of State for the Commonwealth of Massachusetts under the Uniform Commercial Code and the recording of this Trademark Agreement with the PTO, no authorization, approval or other action by, and no notice to or filing with, any governmental or regulatory authority, agency or office is required either (A) for the grant by the Assignor or the effectiveness of the security interest and assignment granted hereby or for the execution, delivery and performance of this Trademark Agreement by the Assignor, or (B) for the perfection of or the exercise by the Agent of any of its rights and remedies hereunder.

4. INSPECTION RIGHTS.

The Assignor hereby grants to each of the Agent and the Banks and its employees and agents the right to visit the Assignor's plants and facilities that manufacture, inspect or store products sold under any of the Trademarks, and to inspect the products and quality control records relating thereto at reasonable times during regular business hours.

5. NO TRANSFER OR INCONSISTENT AGREEMENTS.

Without the Agent's prior written consent and except for licenses of the Pledged Trademarks in the ordinary course of the Assignor's business consistent with its past practices, the Assignor will not (i) mortgage, pledge, assign, encumber, grant a security interest in, transfer, license or alienate any of the Pledged Trademarks, or (ii) enter into any agreement (for example, a license agreement) that is inconsistent with the Assignor's obligations under this Trademark Agreement or the Security Agreement.

6. AFTER-ACQUIRED TRADEMARKS, ETC.

6.1. AFTER-ACQUIRED TRADEMARKS. If, before the Obligations shall have been finally paid and satisfied in full, the Assignor shall obtain any right, title or interest

in or to any other or new Trademarks, Trademark Registrations or Trademark Rights, the provisions of this Trademark Agreement shall automatically apply thereto and the Assignor shall promptly provide to the Agent notice thereof in writing and execute and deliver to the Agent such documents or instruments as the Agent may reasonably request further to implement, preserve or evidence the Agent's interest therein.

6.2. AMENDMENT TO SCHEDULE. The Assignor authorizes the Agent to modify this Trademark Agreement and the Assignment of Marks, without the necessity of the Assignor's further approval or signature, by amending Exhibit A hereto and the Annex to the Assignment of Marks to include any future or other Trademarks, Trademark Registrations or Trademark Rights under (S)2 or (S)6.

7. TRADEMARK PROSECUTION.

7.1. ASSIGNOR RESPONSIBLE. The Assignor shall assume full and complete responsibility for the prosecution, defense, enforcement or any other necessary or desirable actions in connection with the Pledged Trademarks, and shall hold each of the Agent and the Banks harmless from any and all costs, damages, liabilities and expenses that may be incurred by the Agent or any Bank in connection with the Agent's interest in the Pledged Trademarks or any other action or failure to act in connection with this Trademark Agreement or the transactions contemplated hereby. In respect of such responsibility, the Assignor shall retain trademark counsel acceptable to the Agent.

7.2. ASSIGNOR'S DUTIES, ETC. The Assignor shall have the right and the duty, through trademark counsel acceptable to the Agent, to prosecute diligently any trademark registration applications of the Trademarks pending as of the date of this Trademark Agreement or thereafter, to preserve and maintain all rights in the Trademarks and Trademark Registrations, including the filing of appropriate renewal applications and other instruments to maintain in effect the Trademark Registrations and the payment when due of all registration renewal fees and other fees, taxes and other expenses that shall be incurred or that shall accrue with respect to any of the Trademarks or Trademark Registrations. Any expenses incurred in connection with such applications and actions shall be borne by the Assignor. The Assignor shall not abandon any filed trademark registration application, or any Trademark Registration or Trademark, without the consent of the Agent, which consent shall not be unreasonably withheld.

7.3. ASSIGNOR'S ENFORCEMENT RIGHTS. The Assignor shall have the right and the duty to bring suit or other in the Assignor's own name to maintain and enforce the Trademarks, the Trademark Registrations and the Trademark Rights. The Assignor may require the Agent to join in such suit or action as necessary to assure the Assignor's ability to bring and maintain any such suit or action in any proper forum if (but only if) the Agent is completely satisfied that such joinder will not subject the Agent or any Bank to any risk of liability. The Assignor shall

promptly, upon demand, reimburse and indemnify the Agent for all damages, costs and expenses, including legal fees, incurred by the Agent pursuant to this (S)7.3.

7.4. PROTECTION OF TRADEMARKS, ETC. In general, the Assignor shall take any and all such actions (including institution and maintenance of suits, proceedings or actions) as may be necessary or appropriate to properly maintain, protect, preserve, care for and enforce the Pledged Trademarks. The Assignor shall not take or fail to take any action, nor permit any action to be taken or not taken by others under its control, that would adversely affect the validity, grant or enforcement of the Pledged Trademarks.

7.5. NOTIFICATION BY ASSIGNOR. Promptly upon obtaining knowledge thereof, the Assignor will notify the Agent in writing of the institution of, or any final adverse determination in, any proceeding in the PTO or any similar office or agency of the United States or any foreign country, or any court, regarding the validity of any of the Trademarks or Trademark Registrations or the Assignor's rights, title or interests in and to the Pledged Trademarks, and of any event that does or reasonably could materially adversely affect the value of any of the Pledged Trademarks, the ability of the Assignor or the Agent to dispose of any of the Pledged Trademarks or the rights and remedies of the Agent in relation thereto (including but not limited to the levy of any legal process against any of the Pledged Trademarks).

8. REMEDIES.

Upon the occurrence and during the continuance of an Event of Default, the Agent shall have, in addition to all other rights and remedies given it by this Trademark Agreement (including, without limitation, those set forth in (S)2.2, the Credit Agreement, the Security Agreement and the other Loan Documents, those allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in the Commonwealth of Massachusetts, and, without limiting the generality of the foregoing, the Agent may immediately, without demand of performance and without other notice (except as set forth next below) or demand whatsoever to the Assignor, all of which are hereby expressly waived, sell or license at public or private sale or otherwise realize upon the whole or from time to time any part of the Pledged Trademarks, or any interest that the Assignor may have therein, and after deducting from the proceeds of sale or other disposition of the Pledged Trademarks all expenses incurred by the Agent in attempting to enforce this Trademark Agreement (including all reasonable expenses for broker's fees and legal services), shall apply the residue of such proceeds toward the payment of the Obligations as set forth in or by reference in the Security Agreement. Notice of any sale, license or other disposition of the Pledged Trademarks shall be given to the Assignor at least five (5) days before the time that any intended public sale or other public disposition of the Pledged Trademarks is to be made or after which any private sale or other private disposition of the Pledged Trademarks may be made, which the Assignor hereby agrees shall be reasonable notice of such public or private sale or other disposition. At any such sale or other

disposition, the Agent may, to the extent permitted under applicable law, purchase or license the whole or any part of the Pledged Trademarks or interests therein sold, licensed or otherwise disposed of.

9. COLLATERAL PROTECTION.

If the Assignor shall fail to do any act that it has covenanted to do hereunder, or if any representation or warranty of the Assignor shall be breached, the Agent, in its own name or that of the Assignor (in the sole discretion of the Agent), may (but shall not be obligated to) do such act or remedy such breach (or cause such act to be done or such breach to be remedied), and the Assignor agrees promptly to reimburse the Agent for any cost or expense incurred by the Agent in so doing.

10. POWER OF ATTORNEY.

If any Event of Default shall have occurred and be continuing, the Assignor does hereby make, constitute and appoint the Agent (and any officer or agent of the Agent as the Agent may select in its exclusive discretion) as the Assignor's true and lawful attorney-in-fact, with full power of substitution and with the power to endorse the Assignor's name on all applications, documents, papers and instruments necessary for the Agent to use the Pledged Trademarks, or to grant or issue any exclusive or nonexclusive license of any of the Pledged Trademarks to any third person, or to take any and all actions necessary for the Agent to assign, pledge, convey or otherwise transfer title in or dispose of any of the Pledged Trademarks or any interest of the Assignor therein to any third person, and, in general, to execute and deliver any instruments or documents and do all other acts that the Assignor is obligated to execute and do hereunder. The Assignor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof and releases each of the Agent and the Banks from any claims, liabilities, causes of action or demands arising out of or in connection with any action taken or omitted to be taken by the Agent under this power of attorney (except for the Agent's gross negligence or willful misconduct). This power of attorney is coupled with an interest and shall be irrevocable for the duration of this Trademark Agreement.

11. FURTHER ASSURANCES.

The Assignor shall, at any time and from time to time, and at its expense, make, execute, acknowledge and deliver, and file and record as necessary or appropriate with governmental or regulatory authorities, agencies or offices, such agreements, assignments, documents and instruments, and do such other and further acts and things (including, without limitation, obtaining consents of third parties), as the Agent may request or as may be necessary or appropriate in order to implement and effect fully the intentions, purposes and provisions of this Trademark Agreement, or to assure and confirm to the Agent the grant, perfection and priority of the Agent's security interest in the Pledged Trademarks.

12. TERMINATION.

At such time as all of the Obligations have been finally paid and satisfied in full, this Trademark Agreement shall terminate and the Agent shall, upon the written request and at the expense of the Assignor, execute and deliver to the Assignor all deeds, assignments and other instruments as may be necessary or proper to reassign and reconvey to and re-vest in the Assignor the entire right, title and interest to the Pledged Trademarks previously granted, assigned, transferred and conveyed to the Agent by the Assignor pursuant to this Trademark Agreement, as fully as if this Trademark Agreement had not been made, subject to any disposition of all or any part thereof that may have been made by the Agent pursuant hereto or the Security Agreement.

13. COURSE OF DEALING.

No course of dealing between the Assignor and the Agent, nor any failure to exercise, nor any delay in exercising, on the part of the Agent, any right, power or privilege hereunder or under the Security Agreement or any other agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

14. EXPENSES.

Any and all fees, costs and expenses, of whatever kind or nature, including the reasonable attorneys' fees and expenses incurred by the Agent in connection with the preparation of this Trademark Agreement and all other documents relating hereto, the consummation of the transactions contemplated hereby or the enforcement hereof, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance or renewal fees, encumbrances, or otherwise protecting, maintaining or preserving the Pledged Trademarks, or in defending or prosecuting any actions or proceedings arising out of or related to the Pledged Trademarks, shall be borne and paid by the Assignor.

15. OVERDUE AMOUNTS.

Until paid, all amounts due and payable by the Assignor hereunder shall be a debt secured by the Pledged Trademarks and other Collateral and shall bear, whether before or after judgment, interest at the rate of interest for overdue principal set forth in the Credit Agreement.

16. NO ASSUMPTION OF LIABILITY; INDEMNIFICATION.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, NEITHER THE AGENT NOR ANY BANK ASSUMES ANY LIABILITIES OF THE ASSIGNOR WITH RESPECT TO ANY CLAIM OR CLAIMS REGARDING THE ASSIGNOR'S OWNERSHIP OR PURPORTED OWNERSHIP OF, OR RIGHTS OR PURPORTED RIGHTS ARISING FROM, ANY OF THE PLEDGED TRADEMARKS OR ANY USE, LICENSE OR

SUBLICENSE THEREOF, WHETHER ARISING OUT OF ANY PAST, CURRENT OR FUTURE EVENT, CIRCUMSTANCE, ACT OR OMISSION OR OTHERWISE. ALL OF SUCH LIABILITIES SHALL BE EXCLUSIVELY THE RESPONSIBILITY OF THE ASSIGNOR, AND THE ASSIGNOR SHALL INDEMNIFY THE AGENT AND THE BANKS FOR ANY AND ALL COSTS, EXPENSES, DAMAGES AND CLAIMS, INCLUDING LEGAL FEES, INCURRED BY THE AGENT OR ANY BANK WITH RESPECT TO SUCH LIABILITIES.

17. NOTICES.

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

(a) if to the Assignor, at 25 Drydock Avenue, Massachusetts, Attention: President, or at such other address for notice as the Assignor shall last have furnished in writing to the person giving the notice, with copies to Palmer & Dodge LLP, One Beacon Street, Boston, Massachusetts, Attention: William Williams, Esq.; and

(b) if to the Agent, at 100 Federal Street, Boston, Massachusetts, Attention: Tena C. Lindenauer., or at such other address for notice as the Agent shall last have furnished in writing to the person giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer, (ii) if sent by registered or certified first-class mail, postage prepaid, two (2) Business Days after the posting thereof, and (iii) if sent by telegraph, telecopy, or telex, at the time of the dispatch thereof, if in normal business hours in the country of receipt, or otherwise at the opening of business on the following Business Day.

18. AMENDMENT AND WAIVER.

This Trademark Agreement is subject to modification only by a writing signed by the Agent (with the consent of the Majority Banks) and the Assignor, except as provided in (S)6.2. The Agent shall not be deemed to have waived any right hereunder unless such waiver shall be in writing and signed by the Agent and the Majority Banks. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion.

19. GOVERNING LAW; CONSENT TO JURISDICTION.

THIS TRADEMARK AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE

COMMONWEALTH OF MASSACHUSETTS. The Assignor agrees that any suit for the enforcement of this Trademark Agreement may be brought in the courts of the Commonwealth of Massachusetts or any federal court sitting therein and consents to the non-exclusive jurisdiction of such court and to service of process in any such suit being made upon the Assignor by mail at the address specified in (S)17. The Assignor hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient court.

20. WAIVER OF JURY TRIAL.

THE ASSIGNOR WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS TRADEMARK AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY SUCH RIGHTS OR OBLIGATIONS. Except as prohibited by law, the Assignor waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Assignor (i) certifies that neither the Agent or any Bank nor any representative, agent or attorney of the Agent or any Bank has represented, expressly or otherwise, that the Agent or any Bank would not, in the event of litigation, seek to enforce the foregoing waivers, and (ii) acknowledges that, in entering into the Credit Agreement and the other Loan Documents to which the Agent or any Bank is a party, the Agent and the Banks are relying upon, among other things, the waivers and certifications contained in this (S)20.

21. MISCELLANEOUS.

The headings of each section of this Trademark Agreement are for convenience only and shall not define or limit the provisions thereof. This Trademark Agreement and all rights and obligations hereunder shall be binding upon the Assignor and its respective successors and assigns, and shall inure to the benefit of the Agent, the Banks and their respective successors and assigns. In the event of any irreconcilable conflict between the provisions of this Trademark Agreement and the Credit Agreement, or between this Trademark Agreement and the Security Agreement, the provisions of the Credit Agreement or the Security Agreement, as the case may be, shall control. If any term of this Trademark Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Trademark Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. The Assignor acknowledges receipt of a copy of this Trademark Agreement.

IN WITNESS WHEREOF, this Trademark Agreement has been executed as of the day and year first above written.

INSOLUTIONS INCORPORATED

By:_____
Name:
Title:

BANKBOSTON, N.A., as Agent

By:_____
Name:
Title:

CERTIFICATE OF ACKNOWLEDGMENT

COMMONWEALTH OF MASSACHUSETTS _____)
) ss.
COUNTY OF SUFFOLK _____)

Before me, the undersigned, a Notary Public in and for the county aforesaid, on this __ day of June, 1997, personally appeared _____ to me known personally, and who, being by me duly sworn, deposes and says that he is the _____ of InSolutions Incorporated, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public
My commission expires:

SCHEDULE A

TRADEMARKS AND TRADEMARK REGISTRATIONS

Trademark or Service Mark	Registrations -- United States Patent and Trademark Office Registration No.	Registration Date

Trademark or Service Mark	Pending Applications -- United States Patent and Trademark Office Serial No.	Filing Date

EXHIBIT 1

ASSIGNMENT OF TRADEMARKS AND SERVICE MARKS (U.S.)

WHEREAS, InSolutions Incorporated, a corporation organized and existing under the laws of the State of Delaware, having a place of business at _____ (the "Assignor"), has adopted and used and is using the trademarks and service marks (the "Marks") identified on the Annex hereto, and is the owner of the registrations of and pending registration applications for such Marks in the United States Patent and Trademark Office identified on such Annex; and

WHEREAS, _____, a _____ organized and existing under the laws of the State of _____, having a place of business at _____ (the "Assignee"), is desirous of acquiring the Marks and the registrations thereof and registration applications therefor;

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, the Assignor does hereby assign, sell and transfer unto the Assignee all right, title and interest in and to the Marks, together with (i) the registrations of and registration applications for the Marks, (ii) the goodwill of the business symbolized by and associated with the Marks and the registrations thereof, and (iii) the right to sue and recover for, and the right to profits or damages due or accrued arising out of or in connection with, any and all past, present or future infringements or dilution of or damage or injury to the Marks or the registrations thereof or such associated goodwill.

This Assignment of Trademarks and Service Marks (U.S.) is intended to and shall take effect as a sealed instrument at such time as the Assignee shall complete this instrument by inserting its name in the second paragraph above and signing its acceptance of this Assignment of Trademarks and Service Marks (U.S.) below.

IN WITNESS WHEREOF, the Assignor, by its duly authorized officer, has executed this assignment, as an instrument under seal, on this __ day of ___, 199__.

INSOLUTIONS INCORPORATED

By: _____
Title:

The foregoing assignment of the Marks and the registrations thereof and registration applications therefor by the Assignor to the Assignee is hereby accepted as of the _____ day of __, 199__.

_____

By:_____
Title:

COMMONWEALTH OR STATE OF *_____)
) ss.
COUNTY OF * _____)

On this the ___ day of ___, 199__, before me appeared _____, the person who signed this instrument, who acknowledged that (s)he is the ____ of _____ and that being duly authorized (s)he signed such instrument as a free act on behalf of _____.

_____
Notary Public

[Seal]

My commission expires:

ANNEX

Trademark or Service Mark	Registrations -- United States Patent and Trademark Office Registration No.	Registration Date
Insolutions	2,054,299	April 22, 1997

Trademark or Service Mark	Pending Applications -- United States Patent and Trademark Office Serial No.	Filing Date

EXHIBIT 10.68

REGISTRATION RIGHTS AGREEMENT

June 16, 1998

To each of the several Shareholders named in
Schedule I hereto
- - - ----------

Dear Gentlemen:

This will confirm that in consideration of the provisions contained in the Agreement and Plan of Merger dated June 16, 1998 (the "Merger Agreement"), among CMG Information Services, Inc. (the "Buyer"), InSolutions Incorporated and CMG-InSolutions Merger Corporation ("Merger Sub"), the Buyer covenants and agrees with each of you as follows:

A. Certain Definitions. As used in this Agreement, the following terms shall have the following meanings:

"Commission" shall mean the Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act.

"Common Stock" shall mean the Common Stock, $.01 par value, of the Buyer, as constituted as of the date of this Agreement.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Lock-up" shall mean the Investment Representation and Lock-Up Agreement delivered to the Buyer by each of the Shareholders named in Schedule I hereto pursuant to the Merger Agreement.

"Merger Shares" shall mean the Common Stock issued pursuant to the Merger Agreement.

"Registration Expenses" shall mean the expenses so described in Section 6.

"Restricted Stock" shall mean the Merger Shares, excluding Merger Shares which have been (a) registered under the Securities Act pursuant to an effective registration statement filed thereunder and disposed of in accordance with the registration statement covering them or (b) sold pursuant to Rule 144 under the Securities Act.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Selling Expenses" shall mean the expenses so described in Section 6.

.2. Required Registration.

(a) The Buyer will use its reasonable best efforts to cause to be declared effective one registration statement on Form S-3 or any successor thereto (or in the event the Buyer is not eligible to use Form S-3 or such successor form, Form S-1 or any other form then available for such purpose) following the date which is twelve months after the date hereof. Forty-five days prior to such date, the Buyer shall send a Notice of Registration Statement and Selling Securityholder Questionnaire to each individual or entity which holds Restricted Stock which, as a result of such twelve month date referenced above, will no longer be subject to the "Lock-Up" described in the Investment Representation and Lock-Up Agreement executed on the date hereof. To be included on such registration statement, a holder must return a completed Notice of Registration Statement and Selling Securityholder Questionnaire within fifteen days of the date of the Notice of Registration Statement and Selling Securityholder Questionnaire. If after expiration of such fifteen day period, the holders of Restricted Stock have not indicated a desire to have eligible shares with an aggregate price to the public of at least $600,000 included in the registration statement, the Buyer shall not be required to file a registration statement at such time. If holders of Restricted Stock have indicated a desire to have eligible shares with an aggregate price to the public of at least $600,000 included in the registration statement, the Buyer shall as promptly as practicable file a registration statement covering such shares and shall use its reasonable best efforts to have such registration statement declared effective.

(b) If holders of a majority of the Restricted Stock to be registered request that the intended method of disposition be an underwritten public offering, the holders of a majority of the shares of Restricted Stock to be sold in such offering shall designate the managing underwriter of such offering, subject to the approval of the Buyer, which approval shall not be unreasonably withheld.

(c) The Buyer shall be entitled to include in any registration statement referred to in this Section 2 shares of Common Stock to be sold by the Buyer for its own account, except as and to the extent that such method of disposition is an underwritten public offering and in the opinion of the managing underwriter such inclusion would adversely affect the marketing of the Restricted Stock to be sold.

(d) The Buyer's obligation to file a registration statement or cause such registration statement to become effective shall be suspended for up to 30 days if there exists at the time material non-public information relating to the Buyer which the Buyer determines in good faith would interfere with or affect the negotiation or completion of a contemplated transaction (whether or not a final decision has been made to undertake such transaction) or involve initial or continuing disclosure obligations that are not in the best interest of the Buyer.

(e) The Buyer shall be obligated to keep a registration statement filed pursuant to Section 2(a) effective until the earliest of (i) the sale of all of the shares included thereunder, (ii) the agreement by the holders of such shares to terminate the registration, (iii) each holder of such shares becoming eligible, under Rule 144 under the Securities Act, to make unregistered sales in a three-month period of all its shares included on such registration statement

or (iv) the registration rights of the holders of such shares have terminated hereunder. At such time, the Buyer may file a post-effective amendment to such registration statement removing from registration the shares included in such registration statement.

.3. Incidental Registration. If the Buyer at any time (other than pursuant to Section 2) proposes to register any of its Common Stock under the Securities Act for sale to the public (except with respect to registration statements on Forms S-4, S-8 or another form not available for registering the Restricted Stock for sale to the public), it shall give written notice to all holders of outstanding Restricted Stock of its intention so to do. Upon the written request of any such holder, received by the Buyer within 30 days after the giving of any such notice by the Buyer, to register any of its Restricted Stock which has been released from its respective Lock-Up (which request shall state the intended method of disposition thereof), the Buyer will use its reasonable commercial efforts to cause the Restricted Stock as to which registration shall have been so requested to be included in the securities to be covered by the registration statement proposed to be filed by the Buyer. In the event that any registration pursuant to this Section 3 shall be, in whole or in part, an underwritten public offering of Common Stock, the number of shares of Restricted Stock to be included in such an underwriting may be reduced (pro rata among the requesting holders based upon the number of shares of Restricted Stock owned by such holders) if and to the extent that the managing underwriter or underwriters shall be of the opinion that such inclusion would adversely affect the marketing of the securities to be sold by the Buyer. Notwithstanding the foregoing provisions, the Buyer may elect not to file, withdraw or file a post-effective amendment terminating any registration statement referred to in this Section 3 without thereby incurring any liability to the holders of Restricted Stock.

.4. Registration Procedures. If the Buyer is required by the provisions of Sections 2 or 3 to file a registration statement covering shares of Restricted Stock, the Buyer agrees to:

(a) subject to the provisions of Sections 2 and 3, prepare and file with the Commission such registration statement including such securities and use reasonable commercial efforts to cause such registration statement to become effective;

(b) subject to the provision of Section 4(a), prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus included therein as may be necessary to keep such registration statement effective for the period of distribution set forth herein, and comply with the provisions of the Securities Act;

(c) use reasonable efforts to prevent the issuance of any stop order or other order suspending the effectiveness of such registration statement and, if such an order is issued, to obtain the withdrawal thereof at the earliest possible time and to notify each holder of Restricted Stock included in such registration statement of such order and its withdrawal;

(d) furnish to each seller of Restricted Stock such number of copies of the prospectus included in such registration statement (including each preliminary prospectus) as such persons reasonably may request in order to comply with the requirements of the Securities Act;

(e) notify the holders of Restricted Stock included in the registration statement upon the occurrence of any event as a result of which the prospectus included in such registration statement, as then in effect, contains an untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and as promptly as practicable, prepare, file and furnish to such holders a reasonable number of copies of a supplement or an amendment to such prospectus as may be necessary so that such prospectus does not contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing; provided, however, -------- -------

that the Buyer may delay preparing, filing and distributing any such supplement or amendment if the Buyer determines in good faith that such supplement or amendment might, in the reasonable judgment of the Buyer, (i) interfere with or affect the negotiation or completion of a transaction that is being contemplated by the Buyer (whether or not a final decision has been made to undertake such transaction) or (ii) involve initial or continuing disclosure obligations that are not in the best interests of the Buyer's stockholders at such time; provided, further, that (x) the Buyer -------- -------

shall give notice (a "Standstill Notice") of any such delay, (y) such delay shall not extend for a period of more than thirty (30) days without the written consent of the holders of a majority of the Registered Stock requested to be included in such registration statement and (z) the Buyer shall not exercise such right more than twice during any twelve-month period.

(f) if required, use reasonable efforts to register or qualify the Restricted Stock covered by such registration statement under the securities or "blue sky" laws of such United States jurisdictions as the sellers of Restricted Stock or, in the case of an underwritten public offering, the managing underwriter or underwriters reasonably shall request, provided, however, -------- -------

that the Buyer shall not for any such purpose be required to qualify generally to transact business as a foreign corporation in any jurisdiction where it is not so qualified or to consent to general service of process in any such jurisdiction;

(g) use reasonable efforts to include the Restricted Stock covered by such registration statement on the Nasdaq National Market or any securities exchange on which the Common Stock of the Buyer is then listed; and

(h) in the event of an underwritten public offering of the Restricted Securities, enter into and perform its obligations under an underwriting agreement, in usual and customary form reasonably acceptable to the Buyer, with the managing underwriter of such offering.

.5. Obligations of Holder. In connection with the registration of the ---------- ---------- Restricted Stock pursuant to a registration statement, each holder of shares of Restricted Stock included thereon shall:

(a) furnish to the Buyer such information regarding itself and the intended method of disposition as necessary to assure compliance with federal and applicable state securities laws or as the Buyer shall reasonably request;

(b) upon receipt of any notice from the Buyer of the happening of any event of the kind described in Section 4(c), immediately discontinue disposition of Restricted Stock pursuant to the registration statement until withdrawal of the stop order referred to in Section 4(c); and

(c) not sell or otherwise transfer any Restricted Stock during the period from the date specified in the Standstill Notice given by the Buyer pursuant to Section 4(e) above that the Buyer has determined that it will delay the preparation and filing of an amendment or supplement to the prospectus included in the registration statement until the expiration date specified in such notice.

.6. Expenses. All expenses incurred by the Buyer in complying with Sections 2, 3 or 4, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel and independent public accountants for the Buyer, fees and expenses incurred in connection with complying with state securities or "blue sky" laws, fees payable to the National Association of Securities Dealers, Inc., fees payable to any securities exchange or over-the-counter market quotation system (e.g. Nasdaq National Market System), and fees of transfer agents and registrars, but excluding any Selling Expenses, are called "Registration Expenses." All underwriting discounts and selling commissions, fees of counsel and other advisors to sellers of Restricted Stock and transfer and similar taxes are called "Selling Expenses."

The Buyer shall pay all Registration Expenses. All Selling Expenses shall be borne by the participating sellers.

.7. Indemnification. In the event that any Restricted Stock is included in a registration statement under this Agreement:

(a) to the extent permitted by law, the Buyer shall indemnify and hold harmless each selling stockholder against any losses, claims, damages, liabilities or reasonable out-of-pocket expenses (whether joint or several)(collectively, including legal or other expenses reasonably incurred in connection with investigating or defending same, "Losses"), insofar as any such Losses arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in such registration statement or (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Buyer will reimburse such stockholders for any legal or other expenses as reasonably incurred by any such stockholder in connection with investigating or defending any Loss; provided, however, that the foregoing indemnity shall not apply to amounts paid in settlement of any Loss if such settlement is effected without the consent of the Buyer (which consent shall not be unreasonably withheld), nor shall the Buyer be obligated to indemnify any person for any Loss to the extent that such Loss arises out of or is based upon and in conformity with information furnished by such person specifically for use in such registration statement; and provided, further, that the Buyer shall not be required to indemnify any person to the extent that any Loss results from such person selling Common Stock (i) to a person to whom there was not sent or given, at or prior to the written confirmation of the sale of such shares, a copy of the prospectus, as most recently amended or supplemented, if the Buyer has previously furnished or made available copies thereof or (ii) following written notice by the Buyer of an event described in Section 4(c) or 4(e).

(b) to the extent permitted by law, each selling stockholder agrees to indemnify and hold harmless the Buyer, the officers, directors, employees, agents and representatives of the Buyer, and each person, if any, who controls the Buyer within the meaning of the Securities Act or the Exchange Act, against any Losses to the extent that any such Losses arise out of or are based upon and in conformity with information furnished by such stockholder specifically for use in such registration statement; and such selling stockholder agrees to reimburse any legal or other expenses as reasonably incurred by the Buyer and any such officer, director, employee, agent, representative, or controlling person, in connection with investigating or defending any such Loss; provided, however, that the foregoing indemnity shall not apply to amounts paid in settlement of any such Loss if such settlement is effected without the consent of such stockholder, which consent shall not be unreasonably withheld; provided, further, that, in no event shall any indemnity under this subsection 7(b) exceed the sales price of the Restricted Stock sold by such stockholder under the registration statement; and

(c) promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 7, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the reasonably incurred fees and expenses of one such counsel to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate under applicable standards of professional conduct due to actual or potential conflicting interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time after the commencement of any such action, shall not relieve such indemnifying party of any liability to the indemnified party under this Section 7 with respect to such action unless and only to the extent prejudicial to its ability to defend such action, and the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 7 of with respect to any other action.

.8. SEC Reporting. With a view to making available to the holders of Restricted Stock the benefits of certain rules and regulations of the Commission which may permit the sale of the Restricted Securities to the public without registration, the Buyer agrees to use its best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in Commission Rule 144 or any similar or analogous rule promulgated under the Securities Act;

(b) File with the Commission, in a timely manner, all reports and other documents required of the Buyer under the Exchange Act;

(c) So long as the holders own any Restricted Stock, furnish to the holders forthwith upon request: a written statement by the Buyer as to its compliance with the reporting requirements of said Rule 144 under the Securities Act, and of the Exchange Act, a copy of the

most recent annual or quarterly report of the Buyer; and such other reports and documents as a holder of Restricted Stock may reasonably request in availing itself of any rule or regulation of the Commission allowing it to sell any such securities without registration.

.9. Miscellaneous.

(a) Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed given when so delivered in person, by overnight courier, by facsimile transmission (with receipt confirmed by telephone or by automatic transmission report) or two business days after being sent by registered or certified mail (postage prepaid, return receipt requested), as follows:

(i) if to the Buyer, to:
CMG Information Services, Inc.
100 Brickstone Square, 1st Floor
Andover, MA 01810
Attention: Chief Financial Officer
Telephone: 781-684-3660
Facsimile: 781-684-3172

with a copy to:

Palmer & Dodge LLP
One Beacon Street
Boston, MA 02108-3190
Attention: William Williams II
Telephone: 617-573-0100
Facsimile: 617-227-4420

(ii) if to a current holder of Restricted Stock, to:
InSolutions Incorporated
2940 Kifer Road
Santa Clara, CA 95051
Attention: President
Telephone: 408-986-6344
Facsimile: 408-986-6344

with a copy to:

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94304-1050
Attention: Christopher J. Ozburn
Telephone: 650-493-9300
Facsimile: 650-493-6811

(iii) if to any subsequent holder of Restricted Stock, at the address that has been furnished to the Buyer in writing, or, in any case, at such other address or addresses as shall have been furnished in writing to the Buyer (in the case of a holder of Restricted Stock) or to the holders of Restricted Stock (in the case of the Buyer) in accordance with the provisions of this paragraph.

(b) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to choice of law provisions.

(c) This Agreement may not be amended or modified, and no provision hereof may be waived, without the written consent of the Buyer and the holders of at least a majority of the outstanding shares of Restricted Stock.

(d) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(e) The obligations of the Buyer to register shares of Restricted Stock, or to keep a registration statement including shares of Restricted Stock effective, under Sections 2 or 3 shall terminate with respect to each holder upon such time as all of the holder's Merger Shares are eligible for sale during a single three month period under Rule 144.

(f) The rights hereunder of the holder may be assigned to a transferee of the Restricted Stock as long as: (i) the Buyer is, within thirty (30) days following such transfer, furnished with written notice of the name and address of such transferee, (ii) immediately following such transfer, the further disposition of Restricted Stock is restricted under the Securities Act, (iii) the transferee agrees in writing with the Buyer to be bound by all of the provisions hereof and (iv) such transfer is made in accordance with the applicable requirements of the Lock-Up. No rights under this Agreement shall be assigned to any person or entity to whom less than all of the Restricted Stock held by transferor are transferred, unless such transfer is made in connection with distributions without consideration, such as by a partnership to its partners.

(g) If any provision of this Agreement shall be held to be illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render illegal, invalid or unenforceable any other provision of this Agreement, and this Agreement shall be carried out as if any such illegal, invalid or unenforceable provision were not contained herein.

Please indicate your acceptance of the foregoing by signing and returning the enclosed counterpart of this letter, whereupon this Agreement shall be a binding agreement between the Buyer and you.

CMG INFORMATION SERVICES, INC.

By

Name: Andrew J. Hajducky III
Title: Chief Financial Officer

AGREED TO AND ACCEPTED as of the date first above written.

(Name of Shareholder)

(Signature)

(Print Name)

(Title, if applicable)

Shareholder's Address for Notice:

SCHEDULE I

Robert F. Lee

Sam L. Williams

K&G Consulting, Inc.

EXHIBIT 10.69

CMG @ VENTURES II LLC

OPERATING AGREEMENT

(A DELAWARE LIMITED LIABILITY COMPANY)

CMG @ VENTURES II LLC

OPERATING AGREEMENT

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CMG @ VENTURES II LLC

OPERATING AGREEMENT

THIS OPERATING AGREEMENT OF CMG @ VENTURES II LLC (the "Company"), dated as of February 26, 1998 is among CMG@ Ventures Capital Corp., a Delaware corporation ("@Ventures Capital"), CMG@Ventures, Inc., a Delaware corporation ("@Ventures, Inc." and together with @Ventures Capital Corp., the "Capital Members") and David S. Wetherell, Guy A. Bradley, Jonathan Callaghan, Andrew Hajducky and Peter H. Mills (collectively, the "Managing Members" and together with the Capital Members, the "Members" and each individually a "Member"). Definitions of certain terms used in this Agreement are contained in Article Twelve.

RECITALS

WHEREAS, the Company has been formed as a limited liability company pursuant to the Limited Liability Company Act of the State of Delaware, 6 Del. C. ch. 18 et. seq., by the filing on October 9, 1996 of a Certificate of Formation in the
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Office of the Secretary of State of the State of Delaware; and

WHEREAS, the Members wish to set out fully their respective rights, obligations and duties with respect to the Company.

NOW THEREFORE, in consideration of the mutual covenants expressed herein, the parties hereto hereby agree as follows:

ARTICLE ONE

THE COMPANY

Section 1.1 Organization; Name.

The Company has been organized as a limited liability company pursuant to the provisions of the Act. The name of the Company is CMG @ VENTURES II LLC. The business of the Company may be conducted under any other name designated in writing by the Managing Member upon compliance with applicable law.

Section 1.2 Purpose and Character of Business.

The Company's purpose and character of business shall be to (a) make investments directly or through holding companies in equity and equity-related securities, notes, debentures, limited partnership interests, limited liability company interests, or other equity or debt instruments or other interests or investments of any nature whatsoever, including, without limitation, notes,

debentures and common or preferred stock (whether or not convertible or exchangeable), and rights, options and warrants to purchase notes, debentures and common or preferred stock or other securities or debt instruments, or direct or indirect interests in tangible or intangible assets of any kind whatsoever (all of the foregoing being hereafter referred to as "Investments" or as "Portfolio Securities"), in privately or publicly held or solely owned operating or investment businesses or other entities or parts thereof or assets, (b) manage, supervise and dispose of such investments, receiving the profits, losses and income from such activities and engaging in all other activities that are necessary, incidental and ancillary thereto, and (c) pending utilization or disbursement of funds, to invest such funds in Temporary Investments. Notwithstanding anything to the contrary contained herein, the Members acknowledge and agree that the Company shall not make any Investments after the date on which @Ventures III, L.P. completes the initial closing of the sale of limited partnership interests, except that this limitation shall not restrict the Company's right to make Follow-on Investments after such date.

Section 1.3 Place of Business; Registered Agent.

The principal place of business of the Company shall be maintained at 100 Brickstone Square, Andover, Massachusetts 01801. The Company shall maintain a registered agent in the State of Delaware. The name and address of the resident agent of the Company in the State of Delaware and the address of the registered office of the Company in the State of Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801. The Managing Members may at any time change the location of the Company's principal place of business, establish additional offices and places of business and change the registered agent and registered office of the Company and upon any such change shall give prompt notice to each Member of any such change.

Section 1.4 Term.

The Company shall continue in full force and effect until December 31, 2007, unless extended or earlier terminated pursuant to Section 8.1.

Section 1.5 Statutory Compliance; Qualification In Other Jurisdictions.

The Company shall exist under and be governed by, and this Agreement shall be construed in accordance with, the applicable laws of the State of Delaware including the Act. The Managing Members promptly shall make such filings as they believe necessary or as are required by applicable law to give effect to the provisions of this Agreement and to cause the Company to be treated as a limited liability company under the laws of the State of Delaware. The Managing Members shall cause the Company to be registered or qualified under its own name or under an assumed or fictitious name pursuant to a foreign limited liability company statute or similar laws in any jurisdictions in which the Company owns property or transacts business if such registration or qualification is necessary to protect the limited liability of the

Members or to permit the Company lawfully to own property or transact business in such jurisdiction.

ARTICLE TWO

MEMBERS AND CAPITAL CONTRIBUTIONS

Section 2.1 Capital Commitments and Contributions.

(a) The Capital Members hereby commit and agree to make cash contributions to the capital of the Company in such amounts as may be determined from time to time by the Capital Members in consultation with the Managing Members, which cash contributions shall be allocated between the Capital Members in proportion to their respective Percentages in Interest as set forth on Schedule I attached hereto. The amount of such commitment is referred to herein as a "Capital Commitment." The amount of capital contributed pursuant to such Capital Commitment is referred to as "Capital Contributions." The Managing Members shall call for payment of the Capital Members' Capital Commitment as needed to fund the Company's investments in Portfolio Companies and other permitted uses under this Agreement. All such calls shall be made in writing and shall specify the intended use of such called capital. Such call shall be made at least ten (10) Business Days before the date on which the installment payable in response to that call is due. With respect to the funding of the initial Capital Commitment of the Capital Members hereunder, the Capital Members shall fund such Capital Commitment by contributing to the Company the equity securities of the companies listed on Schedule 2 attached hereto with a cost basis set forth on such Schedule. No Capital Contribution returned to the Capital Members shall be callable by the Managing Members pursuant to this Section 2.1 thereafter.

(b) From time to time, the Members, acting unanimously, may determine that capital in excess of the aggregate Capital Commitment of the Capital Members is required in order for the Company to meet its obligations and to pursue its business activities. The Members shall agree on the amount of any additional capital required to be contributed and the timing of the funding of such capital by the Members.

Section 2.2 Admission of Additional Members.

Additional Members may be admitted to the Company at such times and on such terms as shall be determined by a Majority of the Managing Members.

Section 2.3 Capital Accounts and Revaluations.

The Company shall establish and maintain a capital account (a "Capital Account") for each Member. A Member's Capital Account shall be (i) increased by (a) the amount of such Member's Capital Contribution, (b) such Member's allocations of Profit pursuant to Section 3.1

and (c) items of income or gain specially allocated to such Member pursuant to Sections 3.2 or 3.3, (ii) decreased by (x) the amount of money and the fair market value of any property distributed to such Member by the Company, (y) such Member's allocations of Loss pursuant to Section 3.1 and (z) items of loss, deduction or expenditure specially allocated to such Member pursuant to Sections 3.2 or 3.3, and (iii) adjusted to reflect any liabilities that are assumed by such Member or the Company (within the meaning of Section 1.704-1(b)(2)(iv)(c) of the Regulations), all in accordance with Sections 1.704-1(b)(2)(iv) and 1.704-2 of the Regulations. Except as otherwise provided in the Regulations, a transferee of all or a portion of a Member's Interest shall succeed to the Capital Account of his transferor to the extent allocable to the transferred Interest.

Notwithstanding any provision of this Agreement other than Section 3.6, the Managing Members may revalue Company properties, and make corresponding adjustments to the Members' Capital Accounts, as prescribed by the Regulations in connection with any contribution to or distribution by the Company of more than a de minimis amount of money or other property in exchange for an interest
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in the Company unless the Managing Members reasonably determine that such revaluations and adjustments are not necessary to reflect the economic interests of the Members in the Company. In addition, the book values of Company properties shall be increased or decreased, as the case may be, to reflect any adjustments to the adjusted tax bases of such properties pursuant to Section 734(b) or Section 743(b) of the Code to the extent that such basis adjustments (i) are taken into account in determining Capital Account balances pursuant to Section 3.2.3 and (ii) have not been reflected in adjustments to the book values of such properties pursuant to the preceding sentence of this Section 2.3.

Section 2.4 No Rights to Demand Return of Capital Contributions.

No Member shall be entitled to withdraw any part of its or his Capital Account or Capital Contribution, to receive any distribution from the Company or to cause a partition of the assets of the Company except as expressly provided in this Agreement. No Member shall be paid interest on any Capital Contribution or receive any salary or drawing with respect to its Capital Contribution or Capital Account or for services rendered on behalf of the Company or otherwise in its capacity as a Member, except as otherwise provided in this Agreement.

Section 2.5 Liabilities of Members.

Except as otherwise expressly set forth herein or in the Act, the Members shall not have, and the Managing Members shall at all times conduct their affairs and the affairs of the Company so that no Member shall have, any personal liability whatsoever in his capacity as a Member, whether to the Company, to any Member or to the creditors of the Company, for the debts, liabilities, contracts or other obligations of the Company or for any losses of the Company.

ARTICLE THREE

ALLOCATIONS; DISTRIBUTIONS

Section 3.1 Net Operating Profits and Net Operating Losses-Allocation.

(a) Prior to the allocation of any Net Realized Capital Gains or Net Realized Capital Losses for each Fiscal Year as provided in Section 3.2 below, Net Operating Profits, if any, of the Company for each Fiscal Year shall be allocated to the Members as follows and in the following order of priority as of the end of such Fiscal Year:

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

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

(iii) Third, so much of any remaining Net Operating Profits for such Fiscal Year as shall not exceed the Managing Member Loss, if any, as of the end of the preceding Fiscal Year shall be allocated to the Managing Members as a group to be further allocated among the Managing Members pro rata according to each Managing Member's Carried Interest Percentage and added to their respective Capital Accounts to cover part or all of such Managing Member Loss.

(iv) Fourth, the balance of any remaining Net Operating Profits, if any, for such Fiscal Year shall be allocated as follows: (A) twenty percent (20%) shall be allocated to the Managing Members as a group to be further allocated among the Managing Members pro rata according to each Managing Member's Carried Interest Percentage and added to their respective Capital Accounts, and (B) eighty percent (80%) shall be allocated to @Ventures, Inc. and added to its Capital Account

(b) Prior to the allocation of any Net Realized Capital Gains or Net Realized Capital Losses for each Fiscal Year as provided in Section 3.2 below, Net Operating Losses, if any, of the Company for each Fiscal Year shall be allocated to the Members as follows and in the following order of priority as of the end of such Fiscal Year:

(i) First, such Net Operating Losses for such Fiscal Year shall be allocated as follows: (A) twenty percent (20%) of such Net Operating Losses (but

not to exceed the Managing Members' positive account balances, if any, existing in their Capital Accounts as of the end of the preceding Fiscal Year) shall be allocated to the Managing Members as a group as a Managing Member Loss to be further allocated among such Managing Members in proportion to each Managing Member's Carried Interest Percentage and debited pro rata to their respective Capital Accounts, and (B) eighty percent (80%) of such Net Operating Losses shall be allocated to @Ventures, Inc. and added to its Capital Account.

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

Section 3.2 Capital Gains and Capital Losses with Respect to Portfolio Securities-Allocation.

(a) Following the allocation of any Net Operating Profits or Net Operating Losses for each Fiscal Year as provided in Section 3.1 above, Net Realized Capital Gains, if any, of the Company for each Fiscal Year shall be allocated to the Members as follows and in the following order of priority as of the end of such Fiscal Year.

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

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

(iii) Third, so much of any remaining Net Realized Capital Gains for such Fiscal Year as shall not exceed the Managing Member Loss, if any, as of the end of the preceding Fiscal Year (as increased or decreased by the allocation of any Net Operating Losses or Net Operating Profits for the current Fiscal Year) shall be allocated to the Managing Members as a group to be further allocated among the Managing Members pro rata according to each Managing Member's Carried

Interest Percentage and added to their respective Capital Accounts to cover part or all of such Managing Member Loss.

(iv) Fourth, the balance of such Net Realized Capital Gains, if any, for such Fiscal Year shall be allocated as follows: (A) twenty percent (20%) shall be allocated to the Managing Members as a group to be further allocated among the Managing Members pro rata according to each Managing Member's Carried Interest Percentage and added to their respective Capital Accounts, and (B) eighty percent (80%) shall be allocated pro rata to the Capital Members as a group to be further allocated between the Capital Members according to each Capital Member Percentage in Interest as set forth in Schedule 1, and added to its Capital Account.

(b) Following the allocation of any Net Operating Profits or Net Operating Losses for each Fiscal Year as provided in Section 3.1 above, Net Realized Capital Losses, if any, of the Company for each Fiscal Year shall be allocated to the Members as follows and in the following order of priority as of the end of such Fiscal Year:

(i) First, such Net Realized Capital Losses for such Fiscal Year shall be allocated as follows: (A) twenty percent (20%) of such Net Realized Capital Losses (but not to exceed the Managing Members' positive account balances, if any, existing in their Capital Accounts as of the end of the preceding Fiscal Year as increased or decreased by the allocation of any Net Operating Losses or Net Operating Profits for the current Fiscal Year) shall be allocated to the Managing Members as a group as a Managing Member Loss to be further allocated among the Managing Members according to each Managing Member's Carried Interest Percentage and debited pro rata to their respective Capital Accounts, and (B) eighty percent (80%) of such Net Realized Capital Losses (but not to exceed the excess of the Unrecovered Capital of the Capital Members over the Capital Member Loss, if any, as of the end of the preceding Fiscal Year as increased or decreased by the allocation of any Net Operation Losses or Net Operating Profits for the current Fiscal Year) shall be allocated to the Capital Members as a Capital Member Loss in proportion to their respective Percentages in Interest as set forth in Schedule I and debited to their respective Capital Accounts.
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(ii) Second, the balance of such Net Realized Capital Losses as shall exceed (A) the positive account balances, if any, existing in the Managing Members' Capital Accounts as of the end of the preceding Fiscal Year and (B) the excess of the Unrecovered Capital of the Capital Members over the Capital Member Loss, if any, as of the end of the preceding Fiscal Year, shall be allocated to @Ventures, Inc. as an @Ventures, Inc. Loss.

Section 3.3 Special Allocation Rules.

Before any allocations are made pursuant to Section 3.1 or 3.2, the following special allocations shall be made in the following order

3.3.1 If any Member unexpectedly receives any adjustment, allocation or distribution described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6) of the Regulations which causes it to have an, or increases the amount of its, Adjusted Capital Account Deficit, items of Company income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, such Member's Adjusted Capital Account Deficit as quickly as possible, provided that an allocation pursuant to this Section 3.3.1 shall be made to a Member only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article Three have been tentatively made as if this Section 3.3.1 were not in this Agreement. This Section 3.2.1 is intended to constitute a "qualified income offset" as defined in Section 1.704-1(b)(2)(ii)(d) of the Regulations.

3.3.2 If any Member has an Adjusted Capital Account Deficit as of the end of any Fiscal Year or other accounting period of the Company that is in excess of the amount such Member is deemed to be obligated to restore to his Capital Account pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(h)(5) of the Regulations (the so-called deficit restoration rule), items of Company income and gain in the amount of such excess shall be specially allocated to such Member as quickly as possible, provided that an allocation pursuant to this Section 3.3.2 shall be made to a Member only if and to the extent that such Member would have an Adjusted Capital Account Deficit that is in excess of the amount such Member is deemed to be obligated to restore to his Capital Account pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(h)(5) of the Regulations after all other allocations provided for in this Article Three have been tentatively made as if this Section 3.3.2 were not in this Agreement.

3.3.3 To the extent an adjustment to the adjusted tax basis of any asset of the Company pursuant to Section 734(b) or Section 743(b) of the Code is required, pursuant to Section 1.704-1(b)(2)(iv)(m) of the Regulations, to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset), and such gain or loss shall be specially allocated to the Members in a manner that is consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to Section 1.704-1(b)(2)(iv)(m) of the Regulations.

3.3.4 Notwithstanding Section 3.1 or 3.2, an allocation of Loss shall not be made to a Member to the extent that such allocation would cause such Member to have an Adjusted Capital Account Deficit. An allocation of Loss that would be made to a Member but for this Section 3.3.4 shall instead be made to the other Members to the extent of and in proportion to the amounts of such loss that they could then be allocated without themselves having Adjusted Capital Account Deficits (or, if such other Members would not have Adjusted Capital Account

Deficits, in proportion to their respective Percentages of Contribution Capital) and thereafter to the Capital Members.

Section 3.4 Corrective Allocations.

The allocations set forth in Section 3.3 (the "Regulatory Allocations") are intended to comply with certain requirements of Sections 1.704-1(b) and 1.704-2 of the Regulations. Notwithstanding any other provision of this Article Three, the Regulatory Allocations shall be taken into account in making allocations of items of income, gain, loss, deduction and expenditure among the Members so that, to the extent possible consistent with the Code and the Regulations and on a cumulative basis, the respective net amounts of such allocations of other items and the Regulatory Allocations to the Members are equal to the respective net amounts that would have been allocated to the Members had no Regulatory Allocations been made. The Managing Member shall apply this Section 3.4 at such times and in whatever order, and shall divide allocations made pursuant to this Section 3.4 among the Members in such manner, as it determines is likely to minimize any economic distortions that might otherwise be caused by the Regulatory Allocations.

Section 3.5 Tax Allocations.

3.5.1 Tax allocations for each fiscal year or other accounting period of the Company shall be made consistent with the allocations of Profit and Loss and items specially allocated pursuant to Sections 3.3 and 3.4 for such year or period, except that, solely for tax purposes, (i) items of income, gain, loss and deduction with respect to Company assets reflected hereunder in the Members' Capital Accounts and on the books of the Company at values that differ from the Company's adjusted tax bases in such assets shall be allocated among the Members so as to take account of those differences pursuant to the "traditional method with curative allocations" set forth in Section 1.704-3(c) of the Regulations and in such manner as the Managing Members reasonably determine is in accordance with the principles of Section 704(c) of the Code and with Sections 1.704-1(b)(2)(iv)(f), 1.704-1(b)(2)(iv)(g), 1.704-1(b)(4)(i) and 1.704-3 of the Regulations, and (ii) adjustments made pursuant to Section 734(b) or Section 743(b) of the Code shall be taken into account.

3.5.2 The Members are aware of the federal income tax consequences of the allocations made by this Article Three and agree to report their shares of Company income and loss for income tax purposes in accordance with this Article Three.

Section 3.6 Distributions Prior to Liquidation.

3.6.1 Subject to Sections 3.7, 3.8 and Article Five, Available Cash for each fiscal year (or fractional portion thereof) shall be distributed to the Members at such time or times determined by the Managing Members (but not less often than annually) in proportion to their respective allocations of Net Operating Profits and Net Realized Capital Gains as determined

pursuant to ARTICLE III; provided, however, that Available Cash may first be applied to the payment of expenses incurred by the Company in the sale or other disposition of Portfolio Securities or any other expenses with respect to which the Company does not receive sufficient cash to pay such expenses. In the event the Company is unable, for any reason, to pay any portion of such expenses, the amount not paid shall be carried forward, as a priority item, without interest, to be paid out of Available Cash or on liquidation. Final distributions of Available Cash for each Fiscal Year, determined in accordance with the provisions of this Section 3.6, shall be made as soon as practicable following such Fiscal Year.

3.6.2 In addition to any other obligations hereunder including that set forth in Schedule 5.2(h), the Managing Members shall endeavor (if practical and reasonable to do so in light of the circumstances of the Company) to distribute, if available, sufficient amounts of Available Cash to the Members in accordance with this Section 3.6 to enable such Members to make timely payment of any Federal, state, local and foreign income tax liabilities incurred by them as a result of their participation in the Company.

Section 3.7 Distributions Upon Liquidation.

3.7.1 Upon the liquidation of the Company, the assets of the Company shall first be applied to the payment of, or the establishment of adequate reserves or other provision for the payment of, the debts and obligations of the Company. Thereafter, there shall be made a final allocation of Profit or Loss, as the case may be, and other items to the Members' Capital Accounts in accordance with Sections 3.1 through 3.4. The assets of the Company (or the proceeds of sales or other dispositions in liquidation of assets of the Company) remaining after the payment or other provision for the Company's debts and obligations shall then be distributed to the Members in proportion to the positive balances in their Capital Accounts determined after the final allocation of Profit or Loss and other items to Capital Accounts has been made. Amounts reserved or otherwise set aside in connection with the Company's liquidation for the payment of Company debts and obligations shall be distributed to the Members, in the same proportions that such amounts would have been distributed hereunder if distributed upon the Company's liquidation, as soon as practicable. No Member shall be required or otherwise obligated to restore or contribute any deficit balance in such Member's Capital Account upon the liquidation of the Company.

3.7.2 The Managing Members, or an authorized liquidating trustee if one is appointed, may distribute assets of the Company in kind upon the liquidation of the Company. Any asset to be distributed in kind shall be distributed on the basis of its Fair Market Value as determined in accordance with the provisions of Section 3.9. For purposes of making the final allocation of Profit or Loss, and other items required by Section 3.7.1, any asset other than cash that is to be distributed to one or more Members in kind shall be treated as having then been sold by the Company for its Fair Market Value as determined in accordance with the provisions of Section 3.9. Each Member who receives an interest in any Company asset distributed hereunder

shall hold his interest in such asset as a tenant-in-common with all other Members who receive an interest in such asset.

Section 3.8 Distributions of Securities in Kind.

3.8.1 The Managing Members, upon the affirmative vote of a Majority of the Managing Members, shall distribute to the Members Portfolio Securities which are Marketable Securities, unless the Capital Member determines that a distribution of such securities would not serve the best interests of the Company. The Managing Members shall notify the Members each time a Portfolio Security becomes a Marketable Security. The Managing Members shall not distribute Portfolio Securities that are not Marketable Securities at any time other than upon the liquidation of the Company.

3.8.2 With respect to securities distributed in kind to the Members in liquidation or otherwise, (i) any unrealized appreciation or unrealized depreciation in the values of such securities shall be deemed to be realized by the Company immediately prior to the liquidation or other distribution event; and (ii) such appreciation or depreciation shall be allocated to the Members as part of the allocation of Profit or Loss, as the case may be, for the year of the distribution in accordance with Sections 3.1 through 3.4 hereof, and treating any property so distributed as a distribution of an amount in cash equal to the Fair Market Value of the property determined pursuant to Section 3.9. For the purposes of this Section 3.8.2, "unrealized appreciation" or "unrealized depreciation" shall mean the difference between the fair market value of such assets and the adjusted basis of such assets for Federal income tax purposes (or, in the case of any asset that is reflected on the books of the Company at a value that is different from the Company's Federal tax basis in such asset in compliance with the Regulations, the value of such asset as shown on the Company's books). This Section 3.8.2 is merely intended to provide a rule for allocating unrealized gains and losses upon a liquidation or other distribution event, and nothing contained in this Section 3.8.2 or elsewhere in this Agreement is intended to treat or cause such distributions to be treated as sales for value.

3.8.3 The Managing Members may cause certificates evidencing any securities to be distributed to be imprinted with legends as to such restrictions on transfers that it may deem necessary, including legends as to applicable Federal or state securities laws or other legal or contractual restrictions, and may require any Member to which securities are to be distributed to agree in writing that such securities will not be transferred except in compliance with such restrictions and applicable law.

Section 3.9 Valuation.

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

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

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

3.9.3 Upon any valuation of securities or other property of the Company pursuant to Section 3.8, the Managing Members shall notify the Capital Member in writing of the Fair Market Value of such securities or other property as determined by the Managing Members in accordance with the provisions of Section 3.9. The Capital Members shall, not more than ten Business Days after the receipt of such notice from the Managing Members, furnish notice in writing to the Managing Members stating whether or not it has approved or has not approved the Managing Members' valuation. If the Capital Members approve such valuation (or shall have failed to provide the Managing Members with the aforementioned notice within such ten Business Days), such valuation shall constitute the Fair Market Value of such property for all purposes hereof. If the Capital Members does not approve such valuation, and if the Managing Members and the Capital Members cannot agree on a valuation within five Business Days (or such other period of time as the Managing Members and the Capital Members may determine) of the date on which the Capital Members advise the Managing Members that they have not approved such valuation, the Managing Members and the Capital Members shall jointly select an independent appraiser who shall be retained to determine, as promptly as practicable, the Fair Market Value of the property to be distributed. The Company shall pay the expenses of such appraiser.

ARTICLE FOUR

MANAGEMENT; PAYMENT OF EXPENSES

Section 4.1 Description of Managing Members.

The Managing Members of the Company shall initially be David S. Wetherell, Guy A. Bradley, Jonathan Callaghan, Andrew Hajducky, and Peter H. Mills.

Section 4.2 Management by the Managing Members.

The management, policy and operation of the Company shall be vested exclusively in the Managing Members who shall perform all acts and enter into and perform all contracts and other undertakings which they deem necessary or advisable to carry out any and all of the purposes of the Company. Except as may otherwise be required by law, all actions which Managing Members are permitted or required to take hereunder shall require the approval of a Majority of the Managing Members. Without limiting the foregoing general powers and duties, and except as is otherwise expressly set forth herein, the Managing Members are hereby authorized and empowered on behalf of the Company and, as relevant herein, is required:

(1) To identify investment opportunities for the Company, negotiate and structure the terms of such investments, arrange additional financing needed to consummate such investments and monitor such investments.

(2) To invest the assets of the Company in accordance with the purposes set forth herein in the securities of any organization, domestic or foreign, without other limitation as to kind and without other limitation as to marketability of the securities, and pending such investment, to invest the assets of the Company in Temporary Investments.

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

(4) To sell, transfer, liquidate or otherwise terminate investments made by the Company.

(5) To employ or consult brokers, accountants, attorneys, or specialists in any field of endeavor whatsoever, including, subject to the provisions of Article Six, such persons or firms who may be Members.

(6) To deposit any funds of the Company in any bank or trust company or money market fund provided that, in the case of any bank or trust company such bank or trust company qualifies as a Financial Institution and in the case of any money market fund such fund would qualify as a money market fund in which the Company may make a Temporary Investment, and to entrust to such bank or trust company any of the securities, monies, documents and papers belonging to or relating to the Company; provided, however, that from time to time, in order to facilitate any transaction, any of the said securities, monies, documents and papers belonging to or relating to the Company may be deposited in and entrusted to any brokerage firm that is a member of the New York Stock Exchange and which has minimum net capital of $10 million as calculated in accordance with the Securities Exchange Act of 1934.

(7) To determine, settle and pay all expenses, debts and obligations of and claims against the Company and, in general, to make all accounting and financial determinations and decisions.

(8) To provide bridge financing to Portfolio Companies.

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

(10) To execute all other instruments of any kind or character which the Managing Member determines to be necessary or appropriate in connection with the business of the Company, the execution thereof by the Managing Member to be conclusive evidence of such determination.

(11) To make Follow-on Investments in Portfolio Companies from either Capital Contributions called from the Members pursuant to Section 2.1 or Available Cash.

(12) To guarantee obligations of Portfolio Companies.

(13) To interpret and construe the terms, conditions and other provisions of this Agreement or any agreement entered into in connection herewith such construction or interpretation to be binding on the Members.

Section 4.3 Actions Requiring Member Consent.

Notwithstanding any other provision of this Agreement, the Managing Members shall have no authority without the Consent of the Capital Members to (i) do any act that is in contravention of this Agreement or that is not consistent with the purposes of the Company, (ii) do any act that would make it impossible to carry on the ordinary business of the Company, (iii)

guarantee obligations of Portfolio Companies, (iv) to provide bridge financing to any Portfolio Company, or (v) invest more than 25% of the aggregate Capital Commitments in the securities of any one issuer. Other than as set forth in this Section 4.3 or elsewhere in the Agreement, the Capital Members shall not participate in the management, operation or control of the Company.

Section 4.4 Indemnification.

The Managing Members and the Capital Members shall be entitled to indemnity from the Company for any liability incurred and/or for any act performed by any of them within the scope of the authority conferred on them, by this Agreement, and/or for any act omitted to be performed, provided, however, that no indemnification shall be available in the event that any such Managing Member or Capital Member shall have been adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his or her action was in the best interest of the Company. Indemnification hereunder shall include all reasonable expenses incurred, including reasonable legal and other professional fees and expenses.

Section 4.5 Payment of Fees and Expenses.

The Company shall be responsible for and shall pay all fees and reasonable expenses of the Company, including without limitation: (i) out-of-pocket expenses incurred and fees paid by the Company or the Managing Members in connection with the formation of the Company and the offering and distribution of interests therein; and (ii) expenses which relate to office space, supplies and other facilities of its business and salary, fees and expenses of officers, employees, consultants, outside counsel and accountants and similar outside advisors; provided that, with respect to consummated investments, it is expected, and the Managing Members will use their reasonable best efforts to ensure that such fees and expenses are paid by the Portfolio Company in which the investment is made.

ARTICLE FIVE

MANAGING MEMBERS

Section 5.1 Managing Members; Rights Thereof.

Set forth on the signature pages hereto are the names of the Managing Members. Each Managing Member shall possess a Carried Interest Percentage determined pursuant to this Article Five with respect to such Managing Member's Vested Units. A Managing Member's Carried Interest Percentage shall, subject to the provisions of this Article Five, entitle such Managing Member to allocations of Profits and distributions of Available Cash, Marketable Securities and other assets of the Company pursuant to Article Three.

Section 5.2 Award and Vesting of Carried Interest Percentages.

(a) Each Managing Member shall be awarded units ("Units") by the Capital Members to participate in the 20% allocation and distribution set forth in Sections 3.1, 3.2 and 3.6 (the "Carried Interest") in such amounts as the Capital Members may determine in their sole discretion (except as provided herein) and set forth in Schedule 3 hereto. Units awarded to each Managing Member shall entitle such Managing Member to a percentage (the "Carried Interest Percentage") of the Profit and Loss and the Available Cash, Marketable Securities and other assets of the Company allocated and distributed to the Managing Member as determined pursuant to the provisions of this Agreement. Units awarded to each Managing Member hereunder shall vest with respect to that particular Managing Member (the "Vested Units") in twenty (20) equal quarterly cumulative consecutive installments of five percent (5%) for each calendar quarter with each installment vesting in arrears at the end of each consecutive quarterly period following the Managing Member's date of hire set forth in Schedule 3 and with all such Units to have vested by the fifth anniversary of such date of hire provided that on each such vesting date each such Managing Member must then be a full-time employee of the Company and must be in compliance with, and not in default of, all of his or her obligations hereunder in order for such vesting to occur. Units awarded to each Managing Member hereunder which have not yet vested shall be referred to herein as Unvested Units (the "Unvested Units") with respect to that particular Managing Member.

(b) The Carried Interest Percentage of each Managing Member (including Former Managing Members to the extent that they have not forfeited their Vested Units as hereinafter provided) with respect to the allocation of Profits and Losses of the Company as determined pursuant to the provisions of this Agreement shall be determined at any time or from time to time by dividing the number of Units (including Unvested Units) owned by that particular Managing Member by the total number of Units (including Unvested Units) owned by all Managing Members (including Former Managing Members to the extent they have not forfeited their Units as hereinafter provided).

(c) That portion of any allocation of Profits and Losses of the Company which is attributable to Unvested Units which have not been forfeited shall be added to the Capital Account maintained by the Company for each respective Managing Member and shall be accompanied by a corresponding allocation of all tax items but shall not be distributed to such Managing Member except to the extent that such Units have vested. As of any distribution date, each Managing Member shall therefore be entitled to receive (subject to the terms and conditions of this Agreement) distributions of Available Cash pursuant to Section 3.6 only to the extent of (i) his or her vested percentage (determined by dividing his or her Vested Units as of the distribution date by the total of his or her Vested and Unvested Units as of such date) of all amounts allocated to such Capital Account up to the distribution date less (ii) any prior distributions. Any Managing Member whose relationship with the Company is terminated as provided in Section 5.3 below (a "Former Managing Member"), shall forfeit all of his or her Units to the extent that such Units are unvested at the time of

termination but shall retain that portion of his or her Capital Account, if any, which is at that time held with respect to Vested Units. Such Managing Member shall become a Former Managing Member and shall retain his or her Vested Units subject to the terms and conditions of this Agreement. A Managing Member whose relationship with the Company is terminated for Cause as hereinafter defined, shall immediately forfeit all of his or her Vested and Unvested Units and shall forfeit that portion of his or her Capital Account, if any, which is at that time held in suspense pending vesting of such Unvested Units, but shall retain that portion of his or her Capital Account, if any, which is at that time held with respect to Vested Units. The Managing Members shall invest Available Cash that would otherwise be distributable to the Managing Members pursuant to Section 3.6 but which arises with respect to Unvested Units of the Managing Members and is retained by the Partnership in Temporary Investments pending the vesting of Unvested Units or other distribution events pursuant to this Section 5.2.

(d) No portion of any Carried Interest Percentage allocation shall be made with respect to Vested or Unvested Units which have been forfeited as hereinafter provided, but any such previously allocated portion (to the extent not previously distributed) shall be reallocated to the Capital Members in proportion to their respective Percentage in Interest as set forth on Schedule I for subsequent allocation to existing or additional Managing Members as may be determined by the Capital Members in their sole discretion.

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

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

(g) Upon the discontinuance of the activities of the Company, or the discontinuance by the Parent or any of its Affiliates, of activities related to the funding of additional investment funds after the Company has been fully invested, and with the approval of a Majority of the Managing Members, the Unvested Units belonging to the Managing

Members shall all become Vested Units, provided, however, that the provisions of Sections 5.2(e) and 5.3 shall nonetheless control in the case of Former Managing Members.

(h) The Members acknowledge that as a result of the vesting provisions of this Section 5.2, the Managing Members shall be allocated Profit with respect to Unvested Units in a year in which there is no distribution of Available Cash with respect to such Unvested Units. The Managing Members shall, accordingly, use their best efforts to distribute Available Cash to the Managing Members each year in an amount equal to the product of each Managing Member's allocation of Profit with respect to his or her Unvested Units and the highest marginal federal and state income tax rates applicable to a resident of Massachusetts. This provision shall be in addition and in priority to the tax distribution provision set forth in Section 3.6.2.

Section 5.3 Termination of Employment and Partnership Status.

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

relationship as such with the Company may also be terminated by the Capital Members in their sole discretion at any time for Cause as hereinafter defined, in which event the Former Managing Member shall immediately forfeit all of his or her Vested Units and shall forfeit in its entirety such Former Managing Member's Vested Carried Interest Percentage and any and all other interests he or she may have in the Company or in any Capital Account held for the benefit of such Former Managing Member pursuant hereto except that said Managing Member shall retain that portion of his or her Capital Account, if any, which is at that time held with respect to Vested Units.

(b) Cause. For purposes of this Agreement, termination of a Managing Member's employment relationship with the Company and status as a Managing Member or status as a Former Managing Member for Cause shall be determined in each instance in the sole discretion of the Boards of Directors of the Capital Members and shall mean:

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

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

(iii) a material breach of any agreement between the Managing Member and the Company, the Capital Member or an Affiliate of either of them including, without limitation, any violation of the non-competition covenant hereinafter set forth in Section 5.5 (the "Non-Competition Covenant");

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

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

Termination for Cause can only be effected by the Boards of Directors of the Capital Members by notice to the Managing Member, which notice must be given within five (5) days following a hearing before the Board at which the Managing Member will have an opportunity to answer the charges constituting Cause. The hearing before the Board can be held only after

at least twenty (20) days' written notice to the Managing Member (unless the Managing Member agrees to a shorter period) of the date and time of the hearing and the nature of the charges constituting Cause. At the time of a notice of the hearing or any time thereafter but prior to the Board's decision following the hearing, the Board may immediately relieve the Managing Member of his or her duties and responsibilities hereunder pending its decision.

Section 5.4 Change of Control.

(a) Upon a Change of Control, as hereinafter defined, the Company shall repurchase all, and not less than all, of the Units of each of the Managing Members and each of the Former Managing Members, at the individual election (an "Initial Election") of each Managing Member and each Former Managing Member (such election to be exercised within two (2) months of the date of the Change of Control) for an aggregate purchase price per Unit (the "Change of Control Repurchase Price per Unit") equal to twenty percent (20%) of the fair market value of the Company (determined as if the Company were a publicly traded entity) in excess of the Capital Member's Unrecovered Capital (as calculated in accordance with Section 5.4(b), the "Fair Market Value of the Capital"), divided by the total number of Units (both vested and unvested) owned by the Managing Members and Former Managing Members at the time of the Change of Control.

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

(i) The Appraiser shall first determine the consideration or value belonging or accruing to all the stockholders of the Parent as the ultimate owners of both (A) 100% of the Unrecovered Capital and 20% of the profits of the Company and (B) all the other assets of the Parent, at the time of the Change of Control, which consideration or value shall be deemed to be equal to the Common Stock Price, as hereinafter defined,

multiplied by the number of shares of Common Stock of the Parent outstanding at the time of the Change of Control determined after giving effect to (X) the conversion of all convertible securities of the Parent and (Y) the exercise of all options, whether or not exercisable, outstanding at such time.

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

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

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

(y) The Fair Market Value of the Company (determined as if the Company were a publicly traded entity) taken as a whole after taking into account the future earnings potential business prospects of all its various Internet-related investments and

activities taken as a whole, with particular emphasis on the Company's business plan and strategy for implementing that plan, taken as a whole, and the general market conditions in the venture capital industry for Internet-related investments and activities of the kind owned by the Company.

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

(c) Upon a Change of Control, as hereinafter defined, the Unvested Units belonging to the Managing Members shall all become Vested Units, provided, however, that the provisions of Sections 5.2(e) and 5.3 shall nonetheless control in the case of Former Managing Members.

(d) The Company, the Capital Members, and the Parent shall be jointly and severally liable to the Managing Members for the payment of the Change of Control Repurchase Price per Unit with respect to the Company's repurchase of the Vested Units pursuant to this Section 5.4.

(e) Upon the consummation of the repurchase by the Company of any of the Units of the Managing Members upon a Change of Control pursuant to the terms of this Section 5.4, the Managing Member may, in its sole discretion, and without the approval of the Managing Members (i) retire the repurchased Units or (ii) admit additional Managing Members in accordance with Section 5.7 hereof and award to the additional Profit General Partners any or all of the repurchased Units.

(f) For purposes of this Agreement, a "Change of Control" shall be deemed to have occurred when there has occurred a change of control of the Parent (i) which has not been approved by a majority of all the members of the Board of Directors of the Parent, or (ii) which has been approved by a majority of all the members of the Board of Directors of the Parent but which has not been approved by a Majority of the Members and which is likely by its terms to have a material adverse effect upon the business and prospects of the Company as currently, or planned to be, conducted, and which change of control in either event is of a nature that would be required to be reported in response to Items 6(e) or 14(i), (iv), or (v) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") provided that, in the case of a Change of Control reportable under Item 6(e), such Change of Control involves the acquisition by any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act, but expressly excluding David S. Wetherell) of beneficial ownership, directly or indirectly, of securities or

interests in the Parent which represent more than thirty percent (30%) of the combined voting power of the Parent's outstanding securities. For purposes of this Agreement, a "Change of Control" shall also be deemed to have occurred when there has occurred a change of control of the Capital Member (i) which has not been approved by a majority of all the members of the Board of Directors of the Parent, or (ii) which has been approved by a majority of all the members of the Board of Directors of the Parent but which has not been approved by a Majority of the Managing Members and which is likely by its terms to have a material adverse effect upon the business and prospects of the Company as currently, or planned to be, conducted, and which change of control in either event involves (i) the acquisition by any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) of beneficial ownership, directly or indirectly, of securities or interests in the Capital Member which represents more than fifty percent (50%) of the combined voting power of the Capital Member's outstanding securities, or (ii) a sale of all or substantially all of the assets of the Company or of the Capital Members, or (iii) either the merger or consolidation of the Company or the Capital Members with another entity which is the surviving entity of such merger or consolidation provided that such other entity, prior to such merger or consolidation, was not controlled directly or indirectly by the Parent.

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

(h) Each Managing Member or Former Managing Member making an Initial Election to have his or her Units repurchased by the Company as provided in Section 5.4(a) above following a Change of Control shall have one (1) month following the determination of the Change of Control Repurchase Price per Unit as provided above to reconsider and withdraw such Initial Election. Any withdrawal of an Initial Election must be made by the Managing Member or Former Managing Member by written notice to the Company within said one (1) month period. In the event any such Initial Election is not withdrawn in a timely manner, then it shall become final and binding on the parties and the Company shall proceed to repurchase the Units owned by such Managing Member or Former Managing Member within two (2) months following the date of the determination of the Change of Control Repurchase Price per Unit as provided above. In the event that any Managing Member or Former Managing Member fails to make a timely Initial Election (except for reasons beyond his or her control) to have his or her Units repurchased by the Company as provided in Section 5.4(a) above following a Change of Control, such right shall immediately become null and void and shall be of no further force or effect with respect to that Change of Control, but said Managing Member or Former Managing Member shall retain his or her rights hereunder with respect to any other or future Change of Control.

Section 5.5 No Recruitment or Solicitation.

Each Managing Member agrees that during his or her employment by the Company and while, he or she is a Managing Member and for a period of three (3) years following termination of his or her employment relationship with the Company (i) by the Managing Member voluntarily, or (ii) by the Capital Member for Cause, such Managing Member will not, directly or indirectly: (A) recruit, solicit or induce, or attempt to induce, any employee or consultant of the Parent or of the Capital Member or of the Company or of any Portfolio Company or of any Affiliate of any of them to terminate his or her employment with, or otherwise cease any relationship with, the Parent or the Capital Member or the Company or any Portfolio Company or any Affiliate of any of them; or (B) solicit, divert, take away, or attempt to divert or take away, any investment opportunity with respect to any Portfolio Company or any investment opportunity with respect to any prospective investment or prospective portfolio company which the Capital Member or the Company contacted or solicited during such Managing Member's employment relationship with the Company. If any restriction set forth herein is found by any court to be unenforceable because it extends for too long a period of time, or over too great a range of activities, or over too broad a geographic area, the restriction shall be interpreted to extend only over the maximum period of time, range of activities, or geographic area which the court finds to be enforceable. Each Managing Member acknowledges and agrees that the restrictions contained in this Section 5.5 are necessary for the protection of the business and goodwill of the Parent and of the Capital Member and of the Company and of the Portfolio Companies and of the Affiliates of any of them and are considered by such Managing Member to be reasonable for such purpose and that his or her interest in the Company is being received partly in consideration for the foregoing non-competition covenant.

Section 5.6 Non-Disclosure and Invention Assignment Agreement.

Each Managing Member shall enter into a Non-Disclosure and Invention Assignment Agreement with the Partnership in the form of Exhibit A attached hereto.

Section 5.7 Admission of Additional Managing Members.

The Capital Member may admit one or more additional Managing Members subject only to satisfaction of the following conditions: (i) each such additional Managing Member shall execute and deliver a counterpart signature page to this Agreement pursuant to which such additional Managing Member agrees to be bound by the terms and provisions hereof, and (ii) such admission would not result in a violation of any applicable law, including the federal or state securities laws, or any term or condition of this Agreement and, as a result of such admission, the Company would not be required to register as an investment company under the Investment Company Act. The name and business address of each Managing Member admitted to the Company under this Section 5.7 and the number of his or her Units awarded to such additional Managing Member and his or her date of hire shall be added to Schedule 2,

and each such Managing Member shall be bound by all the provisions hereof. Each additional Managing Member admitted pursuant to this Section 5.7 shall be deemed for purposes of all allocations pursuant to Article Three to have been admitted on the date of hire. Admission of an additional Managing Member in accordance with the terms hereof shall not be a cause of dissolution of the Company. Additional Managing Members shall be admitted to the Company only with the written consent of, and on the terms approved by, the Capital Member and a Majority of the Managing Members.

ARTICLE SIX

OTHER ACTIVITIES OF MEMBERS; CONFLICTS OF INTEREST

Section 6.1 Commitment of Members.

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

Section 6.2 Agreements with Portfolio Companies.

The Managing Members, the Parent of the Capital Member and its or their Affiliates may enter into contracts, commitments and agreements with Portfolio Companies consistent with Section 6.4 for the benefit of said Managing Member, the Parent of the Capital Member and/or its or their Affiliates.

Section 6.3 Obligations and Opportunities for Members.

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

Section 6.4 Conflicts of Interest.

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

(a) the material facts as to his, her or their interest as to the contract or transaction are disclosed or are known to the directors or the partners and the directors or the partners authorize in good faith the contract or transaction by a vote sufficient for such purpose without counting the vote of the interested director or partner even though the disinterested directors or the disinterested partners be less than a quorum; or

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

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

ARTICLE SEVEN

TRANSFERABILITY

Section 7.1 Assignment of Member Interest.

(a) Either Capital Member may transfer or assign all or any part of its interest in the Company as set forth in this Section, and provided that the restrictions set forth in Section 7.2 do not apply, to a substitute Member ("Substitute Member"). A transferee or assignee of the Capital Member's interest in the Company that does not comply with the provisions of this Section 7.1 or is subject to the restrictions set forth in Section 7.2 shall not be admitted to the Company as a Substitute Member and shall have none of the rights of the Capital Member and the assigning or transferring Capital Member in such case shall remain fully liable for all obligations hereunder as if such assignment or transfer had not occurred. The assignee or transferee of the Capital Member's Interest in the Company (an "Assignee") shall have the right to become a Substitute Member only if the following conditions are satisfied:

(1) A duly executed and acknowledged written instrument of assignment shall have been delivered to the Company.

(2) The Capital Member and the Assignee shall have executed and acknowledged such other instruments and taken such other action as the Managing Members shall reasonably deem necessary or desirable to effect such substitution, including, without limitation, the execution by the Assignee of a transfer document and an appropriate amendment to this Agreement.

(3) The restrictions on transfer contained in Section 7.2 shall be inapplicable, and, if requested by the Managing Members, the Capital Member or the Assignee shall have obtained an opinion of counsel reasonably satisfactory to the Managing Members as to the legal matters set forth in that Section.

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

(5) A Majority of the Managing Members shall have Consented, in their sole and absolute discretion, to such substitution.

Any assignment or transfer not in compliance with this Article Seven shall have no force or effect, and the assigning or transferring Member shall continue for all purposes under the Act and this Agreement to be a Member of the Company.

(b) No Managing Member may sell, assign or otherwise transfer all or any part of his or her interest as a Managing Member of the Company in any respect whatsoever except that (i) the interest of a Managing Member may be transferred to such Managing Member's spouse, children, grandchildren, parents or siblings or a trust or any other entity for the benefit of any of such persons or the Managing Member, and (ii) the interest of a Managing Member may be transferred by will or by the laws of descent and distribution to such Managing Member's estate or to his or her beneficiaries or heirs following the death of such Managing Member, provided that each and every such transferee agrees to be bound by all the terms and conditions of this Agreement applicable to Managing Members and Former Managing Members including, without limitation, those set forth in Article Three and Article Five.

Section 7.2 Restrictions on Transfer.

Notwithstanding any other provision of this Agreement, except as otherwise provided in Section 7.1(b), no Member may assign or otherwise transfer all or any part of its interest in the Company, and no attempted or purported assignment or transfer of such interest shall be effective, unless (i) after giving effect thereto, the aggregate of all the assignments or transfers by the Members of Interests in the Company within the 12 month period ending on the proposed

date of such assignment or transfer would not equal or exceed 50% of the total Interests of the Member in the capital or profits of the Company, and such assignment or transfer would not otherwise terminate the Partnership for the purposes of section 708 of the Code, (ii) such assignment or transfer would not result in a violation of applicable law, including the federal and state securities laws, or any term or condition of this Agreement and, as a result of such assignment or transfer, the Company would not be required to register as an investment company under the Investment Company Act and (iii) if requested by the Managing Member, such Member shall deliver a favorable opinion of counsel satisfactory to the Managing Member that such transfer would not result in (x) a violation of the Securities Act of 1933 or any blue sky laws or other securities laws of any state of the United States applicable to the Company or the Interest to be transferred, (y) the Company being required to register, or seek an exemption from registration, under the Investment Company Act of 1940, and (z) the Company being deemed to be a "publicly traded partnership" within the meaning of Section 7704 of the Code.

ARTICLE EIGHT

LIABILITY OF MEMBERS; INDEMNIFICATION

Section 8.1 Liability of Managing Members.

8.1.1. The Managing Members shall not be liable to the Company or any Member for any act or omission taken by any Managing Member in good faith and in the belief that such act or omission is in the best interests of the Company; provided that such act or omission is not in violation of this Agreement and does not constitute negligence, misconduct, fraud or a willful violation of law by such Managing Member. The Managing Members shall not be liable to the Company or any other Member for any action taken by any other Member, nor shall any Managing Member (in the absence of negligence, misconduct, fraud or a willful violation of law by such Managing Member) be liable to the Company or any other Member for any action of any employee or agent of the Company provided that such Managing Member shall have exercised appropriate care in the selection and supervision of such employee or agent.

8.1.2 Whenever in this Agreement the Managing Members are permitted or required to make a decision (i) in their "discretion" or "sole discretion" or under a grant of similar authority or latitude, the Managing Members shall be entitled to consider only such interests and factors as they desire, including their own interests, and shall have no duty or obligation to give any consideration to any interests of or factors affecting the Company or any other Person, or (ii) in their "good faith" or under another express standard, the Managing Members shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or other applicable law.

8.1.3 Notwithstanding Section 8.3 below, the Managing Members shall not be indemnified for any losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless (i) there has been a successful adjudication on the merits of

each count involving alleged securities law violations as to the particular indemnitee, or (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee or (iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee. In any claim for indemnification for federal or state securities law violations, the party seeking indemnification shall place before the court the position of the Securities and Exchange Commission and the Massachusetts Securities Division with respect to the issue of indemnification for securities law violations. The Company shall not incur the cost of that portion of any insurance, other than public liability insurance, which insures any party against any liability the indemnification of which is herein prohibited.

Section 8.2 Liability of Capital Members.

The liability of the Capital Members shall be limited to its uncalled Capital Commitment of such Capital Member, provided, that the Capital Members shall be liable for the return of any part of a distribution in respect of its Capital Contribution to the extent required by law.

Section 8.3 Indemnification of the Managing Members and the Capital Member.

The Managing Members and their respective partners, agents, employees and Affiliates and the Capital Members (the "Indemnitees") shall be and hereby are (i) indemnified and held harmless by the Company and (ii) released by the other Members from and against any and all claims, demands, liabilities, costs, expenses, damages, losses, suits, proceedings and actions for which such Indemnitee has not otherwise been reimbursed (collectively, "Liabilities"), whether judicial, administrative, investigative or otherwise, of any nature whatsoever, known or unknown, liquidated or unliquidated, that may accrue to the Company or any other Member or in which any of the Indemnitees may become involved, as a party or otherwise, arising out of the conduct of the business or affairs of the Company by the respective Indemnitee or otherwise relating to this Agreement, provided that an Indemnitee shall not be entitled to indemnification or release hereunder if it shall have been determined by a court of competent jurisdiction, or in the case of an Indemnitee that is a Managing Member, its partners, agents, employees and Affiliates, it has been determined by the Capital Member, that (x) such person did not act in good faith and in a manner such person reasonably believed to be in the best interests of the Company and, in the case of a criminal proceeding, did not have reasonable cause to believe that his conduct was lawful, or (y) such Liabilities shall have arisen from a violation of this Agreement or the negligence, misconduct, fraud or willful violation of law by such Indemnitee, or actions of such Indemnitee outside the scope of and unauthorized by this Agreement, and provided further that an Indemnitee shall not be entitled to indemnification or release hereunder with respect to any liability arising in connection with its activities performed for or on behalf of any Portfolio Company, the securities of which have been sold or have been distributed to the Members pursuant to Section 3.9, if such activities were performed after the date on which such securities were sold or distributed. The termination of any proceeding by settlement shall not, of itself, create a presumption that the Indemnitee did not act in good faith and in a manner that such person reasonably believed to be in the best interests of the Company or that the Indemnitee did

not have reasonable cause to believe that its conduct was lawful. Any indemnification right provided for in this Section 8.3 shall be retained by any removed Managing Member and its partners, agents, employees and Affiliates. The indemnification rights provided for in this Section shall survive the termination of the Company or this Agreement.

Section 8.4 Payment of Expenses.

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

ARTICLE NINE

DISSOLUTION, LIQUIDATION AND TERMINATION OF THE COMPANY

Section 9.1 Events Causing Dissolution.

The Company shall dissolve upon and its affairs shall be wound up after the happening of any of the following events:

9.1.1 December 31, 2007; provided that the duration of the Company may be extended by the Managing Members for not more than three additional one year periods;

9.1.2 the Consent of the Capital Members and a Majority of the Managing Members;

9.1.3 the sale or other disposition by the Company of all or substantially all of its assets; or

9.1.3 the entry of a decree of judicial dissolution under Section 44 of the Act.

Section 9.2 Wind Up and Liquidation.

9.2.1 The Managing Members, or an authorized liquidating trustee for the Company if one is appointed, shall be responsible for the winding up and liquidation of the Company. Subject to Section 3.8, the Managing Members or such liquidating trustee shall have full right and unlimited discretion to determine the time, manner and terms of any sale or sales of Company assets pursuant to such liquidation for the purpose of obtaining fair value for such assets, having due regard to the activity and condition of the relevant markets and general financial and economic conditions. Prior to the distribution of all of the assets of the Company, the business of the Company and the affairs of the Members, as such, shall continue to be governed by this Agreement.

9.2.2 Profit or Loss and other items arising from sales upon liquidation shall be allocated, and the proceeds of such liquidation shall be applied, as provided in Article Three.

9.2.3 In connection with the dissolution and liquidation of the Company, the Managing Members or authorized liquidating trustee shall file an instrument evidencing the cancellation of the Certificate in accordance with the Act.

ARTICLE TEN

CONSENTS, VOTING AND MEETINGS

Section 10.1 Method of Giving Consent.

Any Consent required by this Agreement may be given by:

10.1.1 a written consent given by the consenting Member and received by the Managing Members at or prior to the doing of the act or thing for which the Consent is solicited; or

10.1.2 the affirmative vote by the consenting Member to the doing of the act or thing for which the Consent is solicited at any meeting called and held pursuant to Section 10.2 to consider the doing of such act or thing.

Section 10.2 Meetings.

Any matter requiring the Consent of the Members pursuant to this Agreement may be considered at a meeting held not less than 2 nor more than 10 days after Notification thereof shall have been given by the Managing Members to such Members or appointees, as the case may be. Any such Notification shall state briefly the purpose, time and place of the meeting. All such meetings shall be held at such reasonable times and places as the Managing Member shall designate.

Section 10.3 Submissions to Members.

The Managing Members shall give the Members Notification of any proposal or other matter required by any provision of this Agreement or by law to be submitted for the consideration and approval of the Members. Such Notification shall include any information required by the relevant provision of this Agreement or by law.

ARTICLE ELEVEN

BOOKS AND RECORDS; ACCOUNTING; TAX ELECTIONS

Section 11.1 Accounting for the Company.

The Company shall use the accrual method of accounting and its financial statements shall be prepared in accordance with generally accepted accounting principles. The Company's tax return shall be prepared on an accrual basis. The fiscal year of the Company shall end on July 31.

Section 11.2 Books and Records.

The Managing Members shall keep or cause to be kept complete and appropriate records and books of account. Except as otherwise expressly provided herein, such books and records shall be maintained on the basis used in preparing the Company's Federal income tax returns. Such information as is necessary to reconcile such books and records with generally accepted accounting principles shall also be maintained. The books and records shall be maintained at the principal office of the Company and shall be available for inspection and copying by any Member at its expense during ordinary business hours following reasonable notice.

Section 11.3 Reports to Members.

Promptly after consummation of each investment in a Portfolio Company, the Managing Members shall prepare and deliver to each Member a description of such investment and the Portfolio Company in which it was made. Within forty-five (45) days after the end of each calendar quarter, the Managing Members will prepare and deliver to each Member (i) an unaudited balance sheet and income statement of the Company for such quarter, accompanied by a report on any material developments in existing investments which occurred during such quarter and (ii) a statement showing the balance in such Member's Capital Account and a reconciliation of such balance. After the end of each fiscal year, the Managing Members shall cause an audit of the Company to be made by an independent public accountant of nationally recognized status of the financial statements of the Company for that year. Such audit shall be certified and a copy thereof shall be delivered to each Member within ninety (90) days after the end of each of the Company's fiscal years. Such certified financial statements shall also be accompanied by a report on the Company's activities during the year prepared by the

Managing Members. Within ninety (90) days after the end of each fiscal year, the Company will deliver to each Member the Managing Members' good faith estimate of the fair value of the Company's investments as of the end of such year, a statement showing the balances in each Member's Capital Account as of the end of such year, and such other information, reports and forms as are necessary to assist each Member in the preparation of his federal, state and local tax returns. The Managing Members shall give prompt notice to the Members if at any time the Company's general counsel or accountants withdraw or are replaced.

Section 11.4 Elections.

The Managing Members shall cause the Company to make such elections under the Code and the Regulations, including those permitted by Sections 709(b) and 754 of the Code, and state tax or similar laws as it shall determine to be in the Members' best interests.

ARTICLE TWELVE

DEFINITIONS

The defined terms used in this Agreement shall, unless the context otherwise requires, have the meanings specified in this Article Twelve. The singular shall include the plural and the masculine gender shall include the feminine, the neuter and vice versa, as the context requires:

"@Ventures, Inc." means CMG@Ventures, Inc., a Delaware corporation.

"@Ventures, Inc. Loss" means, as of the end of any Fiscal Year, the excess of any Net Realized Capital Losses and/or Net Operating Losses allocated to @Ventures, Inc. pursuant to Section 3.1(b)(ii) and Section 3.2(b)(ii).

"Act" means the Delaware Limited Liability Company Act as amended from time to time, and any successor to such Act.

"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Fiscal Year or other accounting period determined after (i) crediting to such Capital Account any amounts which such Member is obligated to restore thereto hereunder or is deemed to be obligated to restore thereto pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(h)(5) of the Regulations and (ii) debiting to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6) of the Regulations. The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

"Affiliate" means with respect to any Person, any officer, director, member, employee or partner of, or any Person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person.

"Agreement" means this Operating Agreement, as originally executed and as amended, modified, supplemented or restated from time to time, as the context requires.

"Assignee" is as defined in Section 7.1.

"Available Cash" means amounts received by the Company from all sources including with respect to (including payments and distributions on and proceeds of dispositions of) interests in and assets of Portfolio Companies, net of (i) amounts necessary to pay all expenses, debts and obligations of the Company or to establish reserves therefor, and (ii) amounts deemed necessary by the Managing Members, in their sole discretion, to make Follow-on Investments pursuant to Section 4.2(11). Available Cash shall include the amount of any fees paid to the Company.

"Business Day" means any day, including Saturday, Sunday and any other day on which commercial banks in Boston, Massachusetts are required by law not to be open for business.

"Capital Account" means, with respect to any Member, the capital account established and maintained for such Member pursuant to Section 2.3.

"Capital Commitment" is as defined in Section 2.1.

"Capital Contribution" is as defined in Section 2.1.

"Capital Member Loss" means Net Operating Losses and Net Realized Capital Losses allocated to the Capital Members' Capital Accounts as provided in Sections 3.1 and 3.2.

"Carried Interest Percentage" is as defined in Section 5.2(a).

"Certificate" means the Certificate of Formation filed on behalf of the Company with the Secretary of State of the State of Delaware, as such certificate may be amended from time to time.

"Code" means the Internal Revenue Code of 1986, as amended, and, where applicable, any predecessor or successor thereto.

"Company" means CMG @ VENTURES II LLC.

"Consent" is as defined in Section 10.1.

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

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

"Follow-on Investment" means any investment, other than a Committed Investment, in Portfolio Securities of a Portfolio Company in which the Company holds, immediately prior thereto, Portfolio Securities.

"Investments" is as defined in Section 1.2.

"Loss" means for any fiscal year or other accounting period of the Company, the amount, if any, by which the Company's gross taxable deductions and losses exceed the Company's gross taxable income and gains. Calculations of Loss shall be consistent with calculations made for Federal income tax purposes and with the calculation of Profit.

"Managing Member Loss" means Net Operating Losses and Net Realized Capital Losses allocated to the Managing Members' Capital Accounts as provided in Sections 3.1 and 3.2.

"Majority of the Managing Members" means those Managing Members who then constitute in excess of 50% by number of all Managing Members.

"Marketable Securities" Securities (i) that are freely tradeable pursuant to a registration under the Securities Act of 1933, as amended, or an exemption therefrom, (ii) that immediately after giving effect to their distribution will not be subject to any contractual restriction on transfer, (iii) that will be traded on a national securities exchange or reported through the National Association of Securities Dealers Automated Quotation System, and (iv) that may be sold without regard to volume limitations.

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

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

"Net Realized Capital Gains", with respect to any period, shall mean the excess of gains, determined in accordance with U.S. federal income tax principles, on any sales or other dispositions of Portfolio Securities for such Fiscal Year over the losses, determined in accordance with federal income tax principles, on any sales or other dispositions of Portfolio Securities for such Fiscal Year.

"Net Realized Capital Losses", with respect to any period, shall mean the excess of losses, determined in accordance with U.S. federal income tax principles, on any sales or other dispositions of Portfolio Securities for such Fiscal Year over the gains, determined in accordance with federal income tax principles, on any sales or other dispositions of Portfolio Securities for such Fiscal Year.

"Notification" means a writing, containing the information required by this Agreement to be communicated to any Person, sent as provided in Section 13.2.

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

"Person" means any individual, corporation, Company, trust, unincorporated organization or association, or other entity.

"Portfolio Companies" means companies in which the Company makes investments in accordance with the provisions of this Agreement.

"Portfolio Securities" is as defined in Section 1.2.

"Profit" means for any period, the amount, if any, by which the Company's gross taxable income and gains and the amount of any fees earned by the Company, exceed the Company's gross taxable deductions and losses. The following amounts shall be included in determining Profit: any interest, dividend or similar distribution with respect to Portfolio Securities, and any and all payments arising out of the disposition of Portfolio Securities, including without limitation any option payment, lump sum payment, principal or interest paid or imputed under any promissory note, and any payment made pursuant to a royalty or earn-out arrangement or similar form of contingent payment. Calculations of Profit shall be consistent with calculations made for Federal income tax purposes, except that Profit shall be determined (i) by taking into account unrealized gains and losses with respect to Portfolio Securities that are revalued pursuant

to the penultimate sentence of Section 3.3 or distributed in kind hereunder, (ii) with reference to the book value rather than the adjusted tax basis of any Portfolio Security that has been revalued pursuant to the penultimate sentence of Section 3.3, (iii) without regard to any amounts that are specially allocated pursuant to Article Three, (iv) without giving effect to any adjustments made pursuant to Sections 743 or 734 of the Code, (v) income of the Company that is exempt from Federal income tax and that is not otherwise taken into account in computing income or loss shall be added to Operating Income (Loss) and (vi) expenditures of the Company that are neither deductible for Federal income tax purposes nor allowable as additions to the basis of Company property (or that are so treated pursuant to Section 1.704-1(b)(2)(iv)(i) of the Regulations) shall be subtracted from such taxable income or loss.

"Regulations" means the Income Tax Regulations promulgated from time to time under the Code. References to specific sections of the Regulations shall be to such sections as amended, supplemented or superseded by Regulations currently in effect.

"Substitute Member" is as defined in Section 6.1.

"Temporary Investments" means

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

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

(iii) Investments in money market funds; and

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

"Unrecovered Capital" means amounts in the capital account of the Capital Account of the Capital Members up to the amount of its Capital Contribution, less any distributions of any amounts in the Capital Account of the Capital Members attributable to the Capital Contribution of the Capital Members previously made to the Capital Members pursuant to Article Three.

ARTICLE THIRTEEN

MISCELLANEOUS PROVISIONS

Section 13.1 Appointment of Tax Matters Partner.

If the Company is subject to the rules set forth in Sections 6221 through 6233 of the Code, Andrew Hajducky shall be the "Tax Matters Partner" for the Company as defined in Section 6231(a)(7) of the Code. As Tax Matters Partner, Andrew Hajducky shall have all of the rights, duties, obligations and powers of a Tax Matters Partner, as so defined, set forth in Sections 6221 through 6233 of the Code.

Section 13.2 Notification.

13.2.1 Any Notification to a Member shall be at the address of such Member or appointee set forth in the books and records of the Company or such other mailing address of which such Member shall advise the Managing Member in writing. Any Notification to the Company or the Managing Member shall be at the principal office of the Company or the address of the Managing Member, as the case may be, as set forth in the books and records of the Company. The Managing Member may at any time change the location of its principal office. Notification of any such change shall be given to the Members on or before the date of any such change.

13.2.2 Any Notification shall be deemed to have been duly given if personally delivered or sent by United States mail or express mail service or by telegram confirmed by letter and will be deemed given, unless earlier received, (1) if sent by certified or registered mail, return receipt requested, or by first-class mail, five calendar days after being deposited in the United States mails, postage prepaid, (2) if sent by United States Express Mail or other express mail service, two calendar days (other than Sundays and Federal holidays) after being deposited therein, (3) if sent by telegram or telecopy, on the date sent provided confirmatory notice is sent by first-class mail, postage prepaid, and (4) if delivered by hand, on the date of receipt.

Section 13.3 Amendments.

This Agreement may be amended from time to time with the consent of a Majority of the Managing Members and the Capital Member. The Managing Member shall, within a reasonable time after the adoption of any amendment to this Agreement (but not longer than the period required by the Act), make any filings or publications if required by the Act or desirable to make such amendments.

Section 13.4 Binding Provisions.

The covenants and agreements contained herein shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto.

Section 13.5 No Waiver.

The failure of any Member to seek redress for violation, or to insist on strict performance, of any covenant or condition of this Agreement shall not prevent a subsequent act which would have constituted a violation from having the effect of an original violation.

Section 13.6 Certification of Interests.

In the sole discretion of the Managing Member, the Members' Interests may be evidenced by certificates. In such case, the sale, assignment on other transfer of any Interest hereunder shall be accompanied by the surrender for cancellation and re-issuance of the certificate evidencing such Interest.

Section 13.7 Legends.

If certificates are issued evidencing the Members' Interests, each such certificate shall bear such legends as may be required by applicable federal and state laws, or as may be deemed necessary or appropriate by the Managing Member, to reflect restrictions upon transfer contemplated herein.

Section 13.8 Applicable Law.

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware.

Section 13.9 Separability of Provisions.

Each provision of this Agreement shall be considered separable, and if for any reason any provision or provisions of this Agreement, or the application of such provision to any Person or circumstance, shall be held invalid or unenforceable in any jurisdiction, such provision or provisions shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without invalidating the remaining provisions hereof, or the application of the affected provision to Persons or circumstances other than those to which it was held invalid or unenforceable, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 13.10 Entire Agreement.

This Agreement constitutes the entire agreement among the parties governing the relationship established hereby. This Agreement supersedes any prior agreement or understanding among the parties and may not be modified or amended in any manner other than as set forth herein or therein.

Section 13.11 Section Titles.

Section titles are for descriptive purposes only and shall not control or alter the meaning of this Agreement as set forth in the text.

Section 13.12 Counterparts.

This Agreement may be executed in several counterparts, all of which together shall constitute one agreement binding on all parties hereto notwithstanding that all the parties have not signed the same counterpart.

Section 13.13 Variation of Pronouns.

When used herein, pronouns and variations thereof shall be deemed to refer to the masculine, feminine or neuter or to the singular or plural as the identity of the Person or Persons referenced or the context may require.

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EXECUTION PAGE

This Agreement is executed as of the date first above written by the Managing Members and by the Capital Members.

MANAGING MEMBERS:

_____
David S. Wetherell

_____
Guy A. Bradley

_____
Jonathan Callaghan

_____
Andrew Hajducky

_____
Peter H. Mills

CAPITAL MEMBERS:

CMG@VENTURES CAPITAL CORP.

By:_____
Name:
Title:

CMG@VENTURES, INC.

By:_____
Name:
Title:

SCHEDULE 1

Percentages in Interest

Name	Percentage
CMG@Ventures Capital Corp.	99%
CMG@Ventures, Inc.	1%

EXHIBIT 13.1

SELECTED CONSOLIDATED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA - The following table sets forth selected consolidated financial information of the company for the five years in the period ended July 31, 1998. This selected financial information should be read in conjunction with the company's Consolidated Financial Statements and related Notes.

(in thousands, except per share data)

	Years ended July 31,				
	1998	1997	1996	1995	1994
Consolidated Statement of Operations Data:					
Net revenues	$ 91,484	$ 70,607	$ 28,485	$22,293	$19,388
Cost of revenues	78,831	42,152	17,909	13,014	11,329
Research and development expenses	19,709	25,058	6,971	--	--
In-process research and development expenses	19,135	1,312	2,691	--	--
Selling, general and administrative expenses	52,820	55,194	21,488	6,387	4,792
Operating income (loss)	(79,011)	(53,109)	(20,574)	2,892	3,267
Interest income (expense), net	(870)	1,749	2,691	225	(96)
Gain on sale of data warehouse product rights	8,437	--	--	--	--
Gain on sale of Lycos, Inc. common stock	97,158	--	--	--	--
Gain on stock issuance by Lycos, Inc.	28,301	--	19,575	--	--
Gain on sale of available-for-sale securities	4,174	--	30,049	4,781	--
Gain on sale of investment in TeleT Communications	--	3,616	--	--	--
Gain on sale of NetCarta Corporation	--	15,111	--	--	--
Gain on dividend distribution of Lycos, Inc. common stock	--	8,413	--	--	--
Other income (expense), net	(11,849)	(769)	(746)	(292)	--
Income tax benefit (expense)	(29,787)	2,962	(16,673)	(2,844)	(1,211)
Income (loss) from continuing operations	16,553	(22,027)	14,322	4,762	1,960
Gain (loss) from discontinued operations	--	--	--	23,453	(159)
Net income (loss)	$ 16,553	$(22,027)	$ 14,322	$28,215	$ 1,801
Diluted earnings (loss) per share:					
Income (loss) from continuing operations	$0.74	$(1.17)	$0.74	$ 0.25	$ 0.13
Discontinued operations	--	--	--	1.25	(0.01)
Net income (loss)	$0.74	$(1.17)	$0.74	$ 1.50	$ 0.12
Weighted average shares outstanding - diluted	22,515	18,858	19,364	18,782	15,584
Consolidated Balance Sheet Data:					
Working capital	$ 12,784	$ 38,554	$ 72,009	$47,729	$ 5,925
Total assets	237,460	148,354	109,503	80,486	12,740
Long-term obligations	5,801	16,769	555	508	165
Stockholders' equity	117,785	29,448	53,992	55,490	8,867

Exhibit 13.2

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS

The discussion in this report contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below in "Factors that May Affect Future Results", as well as those discussed in this section and elsewhere in this report.

OVERVIEW

CMG Information Services, Inc. (CMG or the Company) develops and operates Internet and direct marketing companies and venture funds focused on the Internet.

CMG's Internet strategy includes the internal development and operation of majority owned subsidiaries within the "CMG Internet Group" as well as the investment in Internet companies though venture capital fund arrangements. The Company's strategy also envisions and promotes opportunities for synergistic business relationships among the Internet companies within its portfolio. At July 31, 1998, the CMG Internet Group included majority-owned subsidiaries ADSmart Corporation (ADSmart), Engage Technologies, Inc. (Engage), Accipiter, Inc. (Accipiter), InfoMation Publishing Corporation (InfoMation), NaviSite Internet Services Corporation (NaviSite), Planet Direct Corporation (Planet Direct) and Password Internet Publishing Corporation (The Password), along with a minority investment in Magnitude Network, LLC (Magnitude Network). ADSmart develops and markets online ad sales and ad serving solutions; Engage develops and markets precision online marketing solutions; Accipiter specializes in Internet advertising management solutions; InfoMation develops and markets a Web-based solution for corporate knowledge management; Password provides tools for the creation of a personalized "mini-Web;" and Planet Direct is a personalized Web service with over 400 Internet Service Provider (ISP) partners which tailors members' online experience to their interests and local community. Subsequent to July 31, 1998, the Company announced that InfoMation would become a division of Planet Direct and that NaviSite would be split into two separate companies NaviSite will continue to provide high-end server management and applications solutions, providing high-availability Internet outsourcing, and NaviNet will provide low cost, high-availability dial-up network connection through competitive local exchange carriers (CLECs).

The Company's first Internet venture fund, its limited liability company subsidiary, CMG@Ventures I, LLC (ERROR! BOOKMARK NOT DEFINED.I, formerly CMG@Ventures L.P.), was formed in February, 1996. CMG completed its $35 million commitment to this fund during fiscal year 1997. The Company owns 100% of the capital and is entitled to 77.5% of the net capital gains of ERROR! BOOKMARK NOT DEFINED.I. At July 31, 1998, CMG@Ventures I held equity investments in five companies, including Blaxxun Interactive, Inc. (Blaxxun, 81% legal ownership), GeoCities (32%), Lycos, Inc. (Lycos, 25%), Parable LLC (Parable, 31%), and Vicinity Corporation (Vicinity, 50%). Lycos and GeoCities shares are publicly traded on the NASDAQ system under the symbols LCOS and GCTY, respectively. The Company's second Internet venture fund, its limited liability company subsidiary, CMG@Ventures II, LLC (CMG@Ventures II), was formed during fiscal year 1997. The Company owns 100% of the capital and is entitled to 80% of the net capital gains of CMG@Ventures II. At July 31, 1998, CMG@Ventures II held equity investments in fourteen companies, including Chemdex Corporation (Chemdex 16%), Critical Path (7%), GeoCities (2%), KOZ, inc. (KOZ, 14%), Mother Nature's General Store, Inc. (Mother Nature, 24%), Parable (11%), Reel.com Inc. (Reel.com, 36%), Sage Enterprises, Inc. (Sage Enterprises, 29%), Silknet Software, Inc. (Silknet, 24%), Softway Systems, Inc. (Softway Systems, 9%), Speech Machines plc (Speech Machines, 29%), TicketsLive Corporation (TicketsLive, 14%), Universal Learning Technology (12%), and Visto Corporation (Visto, 6%). CMG@Ventures II's investments in Sage Enterprises and Reel.com were converted into shares of Amazon.com, Inc. and Hollywood Entertainment Corporation, respectively, pursuant to mergers of the respective companies subsequent to July 31, 1998. (See note 19 of Notes to Consolidated Financial Statements.)

CMG recently formed its third venture capital fund, CMG@Ventures III, LLC (CMG@Ventures III), and has begun raising capital from outside investors for a corresponding outside investment fund, @Ventures III, L.P. The Company owns 100% of the capital and is entitled to 80% of the net capital gains of CMG@Ventures III, and will be entitled to 2% of the net capital gains of @Ventures III, L.P. These two funds will co-invest in all investment candidates based on a predetermined ratio. CMG has committed to funding CMG@Ventures III up to the greater of $30 million or 19.9% of amounts committed to @Ventures III, L.P.

The Company provides fulfillment services through three wholly-owned subsidiaries, SalesLink Corporation (SalesLink, acquired in 1989), InSolutions Incorporated, (InSolutions, acquired June, 1998), and On-Demand Solutions, Inc. (acquired July, 1998). SalesLink's services are also provided through its subsidiary, Pacific Direct Marketing Corporation (Pacific Link), which was acquired in October, 1996. The Company's fullfilment services offerings include product and literature fulfillment, turnkey outsourcing, telemarketing, and sales/ lead inquiry management. Traditional mailing list services are provided by the Company's subsidiary, CMG

Direct Corporation (CMG Direct). Recently, CMG Direct has embarked on a strategy to also provide solutions for integrating traditional direct marketing with Internet marketing.

The Company has adopted a strategy of seeking opportunities to realize significant gains through the selective sale of investments or having separate subsidiaries or affiliates sell minority interests to outside investors. The Company believes that this strategy provides the ability to significantly increase shareholder value as well as provide capital to support the growth in the Company's subsidiaries and investments. Additionally, in fiscal year 1999, the Company will continue to develop and refine the products and services of its businesses, with the goal of significantly increasing revenue as new products are commercially introduced, and will continue to pursue a strong pace of investing in new Internet opportunities.

RESULTS OF OPERATIONS

The following table sets forth, for the years indicated, certain items from the Company's Consolidated Statements of Operations expressed as a percentage of net revenues.

	Fiscal Year Ended July 31,		
	1998	1997	1996
Net revenues	100%	100%	100%
Cost of revenues	86	60	63
Research and development expenses	21	35	24
In-process research and development expenses	21	2	9
Selling, general and administrative expenses	58	78	76
Operating loss	(86)	(75)	(72)
Other income, net	137	40	181
Income tax benefit (expense)	(33)	4	(59)
Net income (loss)	18%	(31%)	50%

The Company's operations have been classified into three business segments (i) investment and development, (ii) fulfillment services, and (iii) lists and database services. (See note 3 of Notes to Consolidated Financial Statements.)

Operating income in the fulfillment services segment was adjusted during the fourth quarter of fiscal year 1998 to correct prior quarters' understatements of costs of sales by SalesLink's subsidiary company, Pacific Link. The cost of sales understatement was caused by estimates used in determining the material content in cost of sales. As a result, previous quarterly results had understated cost of sales and overstated inventory. Had such adjustments been recorded in the period in which they occurred, quarterly fulfillment services segment operating income (loss) would have been as follows:

	Three Months Ended				
	October 31, 1997	January 31, 1998	April 30, 1998	July 31, 1998	Total
As Reported	$1,061,000	$1,149,000	$1,547,000	$(2,313,000)	$1,444,000
As Restated As	$ 279,000	$ 335,000	$ 656,000	$ 174,000	$1,444,000

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. Through the sale and distribution of Lycos shares, the Company's ownership percentage in Lycos was reduced from just in excess of 50% at October 31, 1997, to below 50% beginning in November, 1997. 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 consolidated operating results for the fiscal years ended July 31, 1997 and 1996 included Lycos net revenues of $22,253,000 and $5,257,000, respectively, and Lycos operating losses of ($8,759,000) and ($5,802,000), respectively. The

Company's consolidated operating results for the fiscal quarter ended October 31, 1997 included Lycos net revenues and operating loss of $9,303,000 and ($433,000), respectively. 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	$ 60,745,000	$ 63,935,000
Total assets	$ 65,419,000	$ 67,694,000
Current liabilities	$ 22,615,000	$ 25,822,000
Total liabilities	$ 27,772,000	$ 29,259,000

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 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 certain rights 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. 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.

FISCAL 1998 COMPARED TO FISCAL 1997

Net revenues increased $20,877,000, or 30%, to $91,484,000 in 1998 from $70,607,000 in 1997. The net increase reflects an increase of $27,068,000 in the Company's fulfillment services segment, partially offset by decreases of $5,208,000 and $983,000 for the Company's investment and development and lists and database services segments, respectively. The increase in fulfillment services segment revenues reflects the acquisition of Pacific Link in October, 1996, the acquisition of InSolutions in June, 1998, and the subsequent addition of new customers and new turnkey business from existing customers. The investment and development segment results include $12,950,000 less consolidated revenues from the three months Lycos was consolidated in fiscal 1998 compared with the twelve months for which Lycos revenues were included in the prior year. Largely offsetting such decreases was the impact of consolidating Vicinity's results beginning in the fourth quarter of fiscal year 1997, the impact of the acquisition of Accipiter, Inc. (Accipiter) in April, 1998, and commencement of operations at the Company's NaviSite, Engage, Planet Direct and ADSmart subsidiaries. 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 $36,679,000, or 87%, to $78,831,000 in 1998 from $42,152,000 in 1997, reflecting increases of $26,488,000 and $11,489,000 in the fulfillment services and investment and development segments, respectively, somewhat offset by a $1,298,000 decrease in the lists and database services segment. In the fulfillment services segment, cost of revenues increased as a result of revenue increases, and increased as a percentage of net revenues to 84% in fiscal 1998 from 74% in fiscal 1997. This percentage increase was due to a shift in mix of services from literature fulfillment towards lower margin turnkey business, as well as an increase in the material content percentage of turnkey sales, and operating inefficiencies experienced during a period of high volume growth. 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, partially offset by $2,843,000 lower cost of sales resulting from deconsolidating Lycos beginning in the second quarter of fiscal year 1998. The start-up of Internet operations at NaviSite, Engage, Planet Direct and ADSmart, with minimal revenues during early stages, and the deconsolidation of Lycos are the primary reasons cost of revenues as a percentage of revenues in the investment and development segment increased from 35% in fiscal 1997 to 106% in fiscal 1998. Lists and database services segment cost of revenues decreased $1,298,000 as a result of the combined impact of sales decreases and operating cost reductions.

Research and development expenses decreased $5,349,000, or 21%, to $19,709,000 in fiscal 1998 from $25,058,000 in fiscal 1997, primarily reflecting a decrease of $6,805,000 in the Company's lists and database services segment, partially offset by an increase of $1,488,000 in the investment and development segment. 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, expenditures for the development of NaviSite's NaviNet technology platform, the impact of consolidating Vicinity's results beginning in the fourth quarter of fiscal year 1997, the impact of the acquisition of Accipiter in April, 1998, and increased development costs for The Password. Partially offsetting such increases, investment and development segment results include a $2,868,000 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 (NetCarta), 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 $19,135,000 of in-process research and development expense during fiscal 1998 related to the Company's acquisition of Accipiter and investments in Speech Machines, Chemdex and Silknet compared to $1,312,000 in fiscal 1997 related to investments in Parable and Silknet. 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 $6,512,000, or 17% to $31,071,000 in 1998 from $37,583,000 in 1997. The net decrease reflects decreases of $5,470,000 and $2,166,000 in the Company's investment and development, and lists and database services segments, respectively, partially offset by an increase of $1,124,000 for the Company's fulfillment services segment. Investment and development segment results include a $13,651,000 reduction from deconsolidating Lycos, reduced marketing expenses at Blaxxun, and reductions associated with NetCarta, FreeMark Communications, Inc. (FreeMark), and GeoCities, whose results were included during part 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, the acquisition of Accipiter, 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 primarily reflects the acquisitions of Pacific Link in October, 1996 and InSolutions in June, 1998. Selling expenses decreased as a percentage of net revenues to 34% in fiscal 1998 from 53% 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 $4,138,000, or 24%, to $21,749,000 in 1998 from $17,611,000 in 1997. The net increase reflects increases of $4,110,000 and $2,374,000 in the Company's investment and development, and fulfillment services segments, respectively, partially offset by a decrease of $2,346,000 for the Company's lists and database services segment. Investment and development segment results include increases due to the building of management infrastructures in several of the Company's Internet investments and at the CMG corporate level, the addition of Engage and Accipiter 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 $1,913,000 reduction from deconsolidating Lycos, cost reductions at Blaxxun, and reductions associated with NetCarta, FreeMark, and GeoCities, whose results were included during part of fiscal year 1997, but have not been included in fiscal 1998. The fulfillment services segment increase reflects the acquisitions of Pacific Link in October, 1996 and InSolutions in June, 1998 and the addition of management and infrastructure in support of growth in the segment. 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 24% in fiscal 1998 from 25% 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.

Interest income decreased $942,000 to $2,426,000 in 1998 from $3,368,000 in 1997, reflecting a $1,590,000 decrease from the deconsolidation of Lycos, partially offset by increased income associated with higher average corporate cash equivalent balances compared with prior year. Interest expense increased $1,677,000 compared with fiscal 1997, primarily due to borrowings incurred to finance the Company's acquisitions of Pacific Link in October, 1996, and InSolutions in June, 1998, 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.

Gain on sale of data warehouse product rights occurred in fiscal 1998 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 1,955,015 shares of

Lycos stock during fiscal 1998. Gain on stock issuance by Lycos, Inc. resulted primarily from the issuance of stock by Lycos in a secondary offering in June, 1998, and from the issuance of stock by Lycos for the fiscal 1998 acquisitions of Tripod and Wise Wire. Gain on sale of available-for-sale securities in fiscal 1998 reflects the Company's net gain realized on the sale of 224,795 shares of Premiere Technologies, Inc. (Premiere) stock. Gain on sale of investment in TeleT Communications in fiscal 1997 resulted when the Company sold its equity interest in TeleT to Premiere in exchange for $550,000 and 320,833 shares of Premiere stock in September 1996. Gain on sale of NetCarta Corporation in fiscal year 1997 reflects the Company's pretax gain on sale of CMG @Ventures' NetCarta subsidiary to Microsoft Corporation on January 31, 1997. Gain on distribution of Lycos stock in fiscal 1997 resulted from the dividend distribution of 603,000 shares of Lycos common stock to CMG shareholders on July 31, 1997.

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 fiscal 1998 include the results from the Company's minority ownership in Ikonic Interactive, Inc. (Ikonic), Parable, Silknet, GeoCities, Reel.com, Speech Machines, Chemdex, Sage Enterprises, and Mother Nature, and the results from Lycos beginning in November, 1997. Equity in losses of affiliates for fiscal 1997 included the results from the Company's minority ownership in TeleT, Vicinity, Ikonic, Parable, Silknet, GeoCities, and Reel.com. 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 1998 from $4,787,000 in 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 fiscal year 1997, but excluded in fiscal year 1998.

The Company's effective tax rates for fiscal 1998 and 1997 were 64% and 12%, respectively. The Company's effective tax rate differs materially from the federal statutory rate primarily due to valuation allowances provided on certain deferred tax assets, the provision for state income taxes, and non-deductible goodwill amortization and in-process research and development charges.

FISCAL 1997 COMPARED TO FISCAL 1996

Net revenues increased $42,122,000, or 148%, to $70,607,000 in 1997 from $28,485,000 in 1996. The increase was attributable to increases of $24,069,000 and $18,252,000 in net revenues for the Company's fulfillment services and investment and development segments, respectively. The fulfillment services segment increase was primarily due to the acquisition of Pacific Link on October 24, 1996 as well as the addition of several new SalesLink accounts closed in the second half of fiscal year 1996. The increase in net revenues for the investment and development segment primarily reflects increased revenues by Lycos, (which was a consolidated subsidiary in both fiscal 1997 and 1996), whose net revenues for the 1997 fiscal year increased by $16,996,000 in comparison with 1996. Net revenues in the lists and database services segment decreased by $199,000 during 1997 due to consolidation in the educational publishing industry and competitive pricing pressure.

Cost of revenues increased $24,243,000, or 135%, to $42,152,000 in 1997 from $17,909,000 in 1996, primarily due to increases of $18,740,000 and $4,911,000 in the fulfillment services and investment and development segments, respectively, resulting from higher revenues. In the fulfillment services segment, cost of revenues as a percentage of net revenues increased to 74% in 1997 from 65% in 1996 due to the mix of services associated with the acquisition of Pacific Link at the end of the first quarter of fiscal 1997. In the investment and development segment, cost of revenues as a percentage of net revenues decreased to 35% in 1997 from 60% in 1996 due to the ability to spread fixed costs, such as facilities and equipment costs, over a larger revenue base.

Research and development expenses increased $18,087,000, or 260%, to $25,058,000 in fiscal 1997 from $6,971,000 in fiscal 1996. The increase consists primarily of an increase of $12,516,000 in research and development expenses for the investment and development segment as product development activities continued at all of the Company's consolidated Internet investments. Also, research and development expenses increased $5,732,000 in the lists and database services segment reflecting the continued development of Engage's data mining, querying, analysis and targeting products and services. The Company recorded $1,312,000 of in-process research and development expenses related to investments in Parable and Silknet during 1997, compared with $2,691,000 of in-process research and development expenses recorded in 1996 related to the acquisition of several Internet investments during 1996.

Selling expenses increased $25,917,000, or 222% to $37,583,000 in 1997 from $11,666,000 in 1996. This increase was primarily attributable to a $22,609,000 selling expense increase in the Company's investment and development segment, reflecting the sales and marketing efforts related to several product launches and continued growth of sales and marketing infrastructures by the subsidiaries of

this segment. Also, during 1997, Lycos launched a national television advertising campaign which contributed to the increased selling expenses in the investment and development segment. Selling expenses in the lists and database services segment increased by $1,982,000 versus 1996 due to product launch expenses and the continued building of sales and marketing infrastructure for Engage. Selling expenses in the fulfillment services segment increased by $1,326,000 in comparison with 1996 due to the acquisition of Pacific Link. Selling expenses increased as a percentage of net revenues to 53% in 1997 from 41% in 1996.

General and administrative expenses increased $7,789,000, or 79%, to $17,611,000 in 1997 from $9,822,000 in 1996. The investment and development segment and lists and database services segment experienced increases of $4,884,000 and $1,505,000, respectively, due to the addition of management personnel and administrative infrastructure in several of the Company's Internet investments and Engage. General and administrative expenses in the fulfillment services segment increased by $1,400,000 in comparison with fiscal 1996 due to the acquisition of Pacific Link, including approximately $804,000 of goodwill amortization charges. General and administrative expenses decreased as a percentage of net revenues to 25% in 1997 from 35% in 1996 due to the significant increase in net revenues in fiscal year 1997.

Gain on sale of NetCarta Corporation in fiscal 1997 reflects the Company's pre-tax gain on the sale of this subsidiary to Microsoft Corporation on January 31, 1997. Gain on distribution of Lycos stock in fiscal 1997 resulted from the dividend distribution of 603,000 shares of Lycos common stock to CMG shareholders on July 31, 1997. Gain on sale of investment in TeleT Communications in fiscal 1997 resulted when the Company sold its equity interest in TeleT to Premiere in exchange for $550,000 and 320,833 shares of Premiere stock in September, 1996. Gain on sale of available-for-sale securities in fiscal 1996 occurred when the Company sold its remaining 1,020,000 shares of America Online, Inc. common stock in October, 1995. Gain on stock issuance by Lycos, Inc. in fiscal 1996 arose as a result of the sale of stock by Lycos in an initial public offering in April, 1996.

Interest income increased $618,000 to $3,368,000 in 1997 from $2,750,000 in 1996. The increase in interest income primarily reflects income earned by Lycos from the investment of the proceeds of their initial public offering, which occurred in April 1996, partially offset by the impact of lower corporate cash balances in fiscal 1997 as compared with fiscal 1996. Interest expense increased $1,560,000 to $1,619,000 in 1997 from $59,000 in 1996. The increase in interest expense was primarily due to borrowings incurred to finance the Company's acquisition of Pacific Link and interest expense related to the Company's $10,000,000 collateralized corporate note payable to a bank which was issued in January, 1997.

Equity in losses of affiliates resulted from the Company's minority ownership in certain investments that are accounted for under the equity method. The results for fiscal 1996 reflect five minority investments: FreeMark, Ikonic, GeoCities, Vicinity and TeleT. During the fourth quarter of fiscal 1996, the Company increased its ownership in FreeMark and GeoCities above 50% and, accordingly, began including their operating results in the Company's consolidated operating results. FreeMark was consolidated through December 1996 when it suspended operations. Equity in losses of affiliates for fiscal 1997 include the results from the Company's minority ownership in Ikonic, Vicinity, Parable, Silknet, Reel.com and TeleT (through the date of the sale of TeleT in September 1996). Also, in January 1997, when GeoCities successfully completed an equity financing round, CMG@Ventures I's ownership in GeoCities decreased from approximately 61% to approximately 41%, and the Company began accounting for its investment in GeoCities under the equity method of accounting, rather than the consolidation method. In the fourth quarter of fiscal 1997, the Company began consolidating the operating results of Vicinity when the Company's ownership in Vicinity was increased to above 50%.

Minority interest increased to $4,787,000 in 1997 from $2,169,000 in 1996 reflecting minority interest in net losses of consolidated subsidiaries within the Company's investment and development segment.

The Company's effective tax rates for fiscal 1997 and 1996 were 12% and 54%, respectively. The Company's effective tax rate differed from the federal statutory rates in fiscal years 1997 and 1996 primarily due to valuation allowances provided on certain deferred tax assets, the provision for state income taxes, and non-deductible goodwill amortization charges.

LIQUIDITY AND CAPITAL RESOURCES

Working capital at July 31, 1998 decreased to $12.8 million compared to $38.6 million at July 31, 1997, predominately as a result of the expenditure of cash for operations and the impact of deconsolidating Lycos, offset in large part by proceeds from sales of Lycos stock. The Company's July 31, 1997 consolidated working capital included Lycos working capital of $38.1 million. The Company's principal uses of capital during fiscal 1998 were $71.7 million for funding of operations, primarily those of start-up activities in the Company's investment and development segment, $34.5 million for investments in affiliates and acquisitions, largely by CMG@Ventures II in several Internet companies, and $8.2 million for purchases of property and equipment. The Company's principal sources of capital during fiscal 1998 were $108.9 million received from the sale of 1,955,015 shares of Lycos stock, $10.9 million received from the sale of 1,006,004 CMG common shares to Intel Corporation (Intel), $10 million received from the sale of 625,000 CMG common shares to Sumitomo Corporation (Sumitomo), $9.5 million from the sale of Engage's data warehouse product rights, and $7.6 million received from the sale of 224,795 shares of Premiere stock. The Company intends to continue to fund existing and future Internet and interactive media investment and development efforts. Additionally, at July 31, 1998, the Company had approximately $68 million of remaining future noncancelable minimum payments under operating leases for its facilities and certain other equipment.

During fiscal year 1998, the Company completed the acquisition of four companies for purchase prices valued at a combined total of $53.8 million, including Accipiter ($30.2 million purchase price in April, 1998), InSolutions ($15.2 million in June, 1998), Servercast ($1million in July, 1998), and On-Demand Solutions ($7.4 million on July 31, 1998). The combined consideration for these acquisitions consisted of 1,574,094 shares of the Company's common stock valued at a total of $44.6 million, $6.7 million in cash, and $2.5 million financed through sellers' notes. The shares issued by the Company were not registered under the Securities Act of 1933 and were subject to restrictions on transferability for periods ranging from six to twenty-four months. The values of the Company's shares included in the purchase prices of these acquisitions were recorded net of market value discounts ranging from 12% to 22%, based on independent appraisal, to reflect the restrictions on transferability. Additional consideration of up to $2.8 million could be paid related to the acquisition of InSolutions if certain future performance goals are met. Of the combined purchase prices of Accipiter and Servercast, $12.5 million was allocated to goodwill, which will be amortized on a straight-line basis over five years. Of the combined purchase prices of InSolutions and On-Demand Solutions, $22.3 million was allocated to goodwill, which will be amortized on a straight-line basis over fifteen years. Additionally, $18.0 million of the purchase price of Accipiter was allocated to in-process research and development which was charged to operations during fiscal 1998.

CMG @Ventures II invested a total of $27.6 million in fifteen companies during fiscal year 1998, including $100,000 in Blaxxun, $1.8 million in GeoCities, $200,000 in Vicinity, $3 million in Silknet, $2.1 million in Parable, $150,000 in KOZ, $3.5 million in Sage Enterprises, $4.6 million in Reel.com, $1.8 million in Speech Machines, $2.6 million in Chemdex, $2 million in Tickets Live, $1 million in Critical Path, $2 million in Mother Nature, $1.5 million in Visto, and $1.25 million in Universal Learning Technology. At July 31, 1998, CMG@Ventures I held equity investments in five companies, including Blaxxun (81% legal ownership), GeoCities (32%), Lycos (25%), Parable (31%), and Vicinity (50%). At July 31, 1998, CMG@Ventures II held equity investments in fourteen companies, including Chemdex (16%), Critical Path (7%), GeoCities (2%), KOZ (14%), Mother Nature (24%), Parable (11%), Reel.com (36%), Sage Enterprises (29%), Silknet (24%), Softway Systems (9%), Speech Machines (29%), TicketsLive (14%), Universal Learning Technology (12%), and Visto (6%). The Company owns 100% of the capital interest and has all voting rights with respect to CMG@Ventures I and CMG@Ventures II investments. The Company is entitled to 77.5% and 80% of the net capital gains, as defined, on investments made by CMG@Ventures I and CMG@Ventures II, respectively. The remaining interest in the net capital gains on these investments are attributed to profit partners, including the President and Chief Executive Officer and the Chief Financial Officer of the Company. The Company is responsible for all operating expenses of CMG @Ventures I and CMG @Ventures II. CMG @Ventures I's interest in Lycos is subject to further reduction because CMG @Ventures I is obligated to sell to Lycos a portion of its shares of common stock of Lycos, as necessary, to provide for shares issuable upon exercise of options granted by Lycos under its 1995 stock option plan. As of July 31, 1998, (retroactively adjusted to reflect Lycos' two-for-one stock split affected in August, 1998), CMG@Ventures I was obligated to sell up to 391,296 shares to Lycos at a price of $0.01 per share and up to 458,048 shares at prices ranging from $0.14 to $4.80 per share. After accounting for Lycos shares subject to option funding and shares attributable to profit partners, approximately 6.5 million Lycos shares, (also on a post-split basis), were attributable to CMG as of July 31, 1998. CMG@Ventures II's investments in Sage Enterprises and Reel.com were converted into shares of Amazon.com, Inc. and Hollywood Entertainment Corporation, respectively, pursuant to mergers of the respective companies subsequent to July 31, 1998. (See note 19 of Notes to Consolidated Financial Statements.)

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 million to $20 million. This borrowing is secured by 2,511,578 of the Company's shares of Lycos common stock and is payable in full on January 20, 1999. Under this agreement, the Company could become subject to additional collateral requirements under certain circumstances. The Company is considering either seeking the renewal of this note, or repaying it using future proceeds from the sale of stock of certain investee companies. SalesLink had an

outstanding balance of $6.2 million at July 31, 1998 and an additional $800,000 reserved in support of outstanding letters of credit for operating leases. SalesLink also has a $15.5 million bank term note outstanding as of July 31, 1998, which provides for repayment in quarterly installments beginning January, 1999 through November, 2002. The Company's bank borrowing arrangements are subject to normal banking terms and conditions, including financial covenants requiring the Company or SalesLink to maintain certain levels of net worth and income, certain financial position ratios, as well as limitations on indebtedness and capital expenditures. As of July 31, 1998, SalesLink did not comply with certain covenants of their borrowing arrangements. SalesLink is working with the bank to cure the non-compliance, as of July 31, 1998 and prospectively, through waivers or amendments to the covenant terms. SalesLink has not yet received such waivers or amendments and, accordingly, all of SalesLink's bank borrowings have been classified as current liabilities in the July 31, 1998 Consolidated Balance Sheet.

The Company's consolidated capital expenditures were $8.2 million in fiscal 1998. Concurrent with its growth and the commencement of start-up operations, the Company has experienced a substantial increase in its capital expenditures and operating lease arrangements in fiscal year 1998 and anticipates that this will continue in the future. The Company's accounts receivable, current deferred revenues, long-term deferred revenues, and minority interest decreased $5 million, $8.7 million, $5.1 million, and $14.5 million, respectively, primarily as a result of the change in the Company's method of accounting for Lycos. Investments in affiliates increased $57 million, primarily as a result of the change in the Company's method of accounting for Lycos, the impact of gains recorded on stock issuances by Lycos, and the investment in new affiliates during fiscal 1998, partially offset by the impact of the sales of Lycos stock and the recording of equity in losses of affiliates during the year. Costs in excess of net assets of subsidiaries acquired, net of accumulated amortization, in the Company's July 31, 1998 Consolidated Balance Sheet increased $32.6 million in comparison with July 31, 1997, primarily due to $34.8 million of goodwill recorded relating to the acquisitions of Accipiter, InSolutions, Servercast and On-Demand Solutions during fiscal 1998, offset by amounts amortized during fiscal 1998. Accrued income tax liabilities of $10.1 million at July 31, 1998 reflect current tax payments due, largely as a result of income earned in fiscal year 1998. Additional paid-in capital increased $74.5 million, primarily as a result of the issuance of stock for acquisitions and the sales of stock to Intel and Sumitomo.

Subsequent to fiscal 1998 year-end, in August, 1998, CMG@Ventures II's holdings in Sage Enterprises were converted into 225,558 shares of restricted Amazon.com, Inc. common stock as part of a merger wherein Amazon.com, Inc. acquired Sage Enterprises. CMG@Ventures II had invested $4.5 million in Sage Enterprises beginning in June, 1997. In October, 1998, CMG@Ventures II's holdings in Reel.com were converted into 1,943,783 restricted common and 485,946 restricted, convertible preferred shares of Hollywood Entertainment Corporation (Hollywood Entertainment) as part of a merger wherein Hollywood Entertainment acquired Reel.com. The Hollywood Entertainment preferred shares are convertible into common shares on a 1-for-1 basis, subject to approval by Hollywood Entertainment shareholders. CMG@Ventures II had invested $6.9 million in Reel.com beginning in July, 1997. Also in October, 1998, in a separate transaction, the Company purchased 1,524,644 restricted common and 803,290 restricted, convertible preferred shares of Hollywood Entertainment for a total purchase price of $31.1 million. The preferred shares are convertible into common shares on a 1-for-1 basis, subject to approval by Hollywood Entertainment shareholders.

In August, 1998, the Company's affiliate, GeoCities, completed its initial public offering of common stock, issuing approximately 5 million shares at a price of $17.00 per share. The Company, through its subsidiaries, CMG@Ventures I and II, has invested a total of $5.9 million in GeoCities beginning in January, 1996. CMG@Ventures I and II own a combined 8.8 million shares of GeoCities common stock and options to purchase an additional 1 million shares at a price of $0.89 per share. The Company expects to record a gain on the issuance of stock by GeoCities during its fiscal quarter ended October 31, 1998, representing the increase in the book value of the Company's net equity in GeoCities as a result of the initial public offering. The gain will be recorded net of the interests attributable to CMG@Ventures I's and II's profit members.

The Company recently formed its third venture capital fund, CMG@Ventures III, LLC (CMG@Ventures III), and has begun raising capital from outside investors for a corresponding outside investment fund, @Ventures III, L.P. The Company owns 100% of the capital and is entitled to 80% of the net capital gains of CMG@Ventures III, and will be entitled to 2% of the net capital gains of @Ventures III, L.P. These two funds will invest side by side in all investment candidates. CMG has committed to fund CMG@Ventures III the greater of $30 million or 19.9% of amounts committed to @Ventures III, L.P.

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 and the availability of additional Lycos, GeoCities, Amazon.com and Hollywood Entertainment shares which could be sold or posted as collateral for additional loans, will be sufficient to fund its operations, investments and capital expenditures for the foreseeable future. Additionally, the Company is currently attempting to raise additional equity capital through a private placements. Should further capital be needed to fund future investment and acquisition activity, the Company may seek to raise capital through additional public or private offerings of the Company's or its subsidiaries' stock, or through debt financings.

YEAR 2000 COMPLIANCE

Many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. These date code fields will need to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, many companies' software and computer systems may need to be upgraded or replaced in order to comply with such "Year 2000" requirements. CMG is in the process of evaluating and correcting the Year 2000 compliance of its proprietary products and services and third party equipment and software that it uses, as well as its non-information technology systems, such as building security, voice mail and other systems. The Company's Year 2000 compliance efforts will consist of the following phases: (i) identification of all software products, information technology systems and non-information technology systems; (ii) assessment of repair or replacement requirements; (iii) repair or replacement; (iv) testing; (v) implementation; and (vi) creation of contingency plans in the event of Year 2000 failures. The Company has substantially completed phase (i) and has begun phases (ii) and (iii) of its Year 2000 efforts. The Company expects to complete its Year 2000 compliance efforts by the end of June, 1999.

To date, the Company has not incurred any material expenditures in connection with identifying or evaluating Year 2000 compliance issues. Preliminary estimates regarding expected costs to CMG for evaluating and correcting Year 2000 issues are in the range of $3 million to $5 million, but there can be no assurance that the costs will not exceed such amounts. The Company's expectations regarding Year 2000 remediation efforts will evolve as it continues to analyze and correct its systems. The Company has not yet developed a formal Year 2000-specific contingency plan. The Company expects that a formal Year 2000 contingency plan will evolve as it completes its Year 2000 compliance efforts. Failure by the Company to resolve Year 2000 issues with respect to its proprietary products and services could have a material adverse effect on the Company's business, results of operations and financial condition. Furthermore, failure of third-party equipment or software to operate properly with regard to the year 2000 and thereafter could require CMG to incur significant unanticipated expenses to remedy any problems.

FACTORS THAT MAY AFFECT FUTURE RESULTS

The Company operates in a rapidly changing environment that involves a number of risks, some of which are beyond the Company's control. Forward-looking statements in this document and those made from time to time by the Company through its senior management are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements concerning the expected future revenues or earnings or concerning projected plans, performance, product development, product release or product shipment, as well as other estimates related to future operations are necessarily only estimates of future results and there can be no assurance that actual results will not materially differ from expectations. The Company undertakes no obligation to publicly release the results of any revisions to forward-looking statements which may be made to reflect events or circumstances occurring after the date such statements were made or to reflect the occurrence of unanticipated events.

Factors that could cause actual results to differ materially from results anticipated in forward-looking statements include, but are not limited to the following:

FUTURE CAPITAL NEEDS - In recent years CMG has generated significant operating losses which have been partially funded by gains on sales of its interests in other companies. In the future, CMG may need to access outside sources of financing. There can be no assurance that any such financing will be available. If such financing is available, furthermore, it may involve issuing securities senior to the Common Stock or equity financings which are dilutive to holders of the Common Stock.

DEPENDENCE ON A SINGLE CUSTOMER - During fiscal year 1998 a significant portion of the Company's revenues were derived from a limited number of customers, including Cisco Systems, Inc. (Cisco), which accounted for 42% of total revenues and 61% of fulfillment services segment fiscal year 1998 revenues. While the Company is actively pursuing increasing the number of fulfillment services customers, the Company believes that its dependence on Cisco will continue. This concentration of customers may cause net sales and operating results to fluctuate from quarter to quarter based on Cisco's requirements and the timing of their orders and shipments. The Company does not have agreements in place with Cisco to ensure minimum purchase commitments or exclusivity for purchase of a particular product or service. The Company's operating results could be materially affected if Cisco were to choose to reduce its level of orders, were to change to another vendor, were to experience financial, operational, or other difficulties, or were to delay paying or fail to pay amounts due to the Company.

DEPENDENCE ON CONTINUED GROWTH OF THE INTERNET AND INTERNET INFRASTRUCTURE - CMG's future success is highly dependent upon continued growth in the use of the Internet generally and, in particular, as a medium for advertising, marketing, services and commerce. Commercial use of the Internet is at an early stage of development, and market acceptance of the Internet as a medium for advertising, information services and commerce is subject to a high level of uncertainty. The relative effectiveness of the Internet as an advertising medium as compared to traditional advertising media, for example, has not been determined. Further, there can be no assurance that the required infrastructure to support future Internet user and traffic growth or complementary products or services

necessary to make the Internet a viable commercial marketplace will be developed, or, if they are developed, that the Internet will become a viable commercial marketplace for products and services such as those offered by CMG. If commercial use of the Internet fails to continue to expand, CMG's business, results of operations and financial condition would be adversely affected.

DEPENDENCE ON KEY PERSONNEL - CMG's performance is substantially dependent on the performance of its executive officers and other key employees and its ability to attract, train, retain and motivate high quality personnel, especially highly qualified technical and managerial personnel. The loss of the services of any of its executive officers or key employees could have a material adverse effect on its business, results of operations or financial condition. Competition for talented personnel is intense, and there can be no assurance that CMG will be able to continue to attract, train, retain or motivate other highly qualified technical and managerial personnel in the future.

PRIVACY ISSUES WITH COOKIES - CMG's Internet services use "cookies" to deliver targeted advertising and marketing initiatives, help compile demographic information about users and limit the frequency with which an ad is shown to a user. Cookies are bits of information keyed to a specific computer hard drive and passed to an Internet site server automatically without the user's knowledge or consent, but can be removed by the user at any time through the modification of the user's browser settings. Due to privacy concerns, Germany has imposed laws restricting the use of cookies, and several Internet commentators, advocates and governmental bodies have suggested that the use of cookies be restricted or eliminated. In addition, certain currently available Internet browsers readily allow a user to delete cookies or prevent cookies from being stored on the user's drive. Any reduction or limitation in the use of cookies could limit the effectiveness of CMG's ad targeting and marketing initiatives which could result not only in reduced marketplace demand for products and services offered by CMG to operators of Web sites, but also in CMG experiencing lower rates for its advertisements which could have a material adverse effect on CMG's business, results of operations and financial condition.

GOVERNMENT REGULATION AND LEGAL UNCERTAINTIES - CMG is not currently subject to direct regulation by any government agency, other than regulations applicable to businesses generally. However, governmental regulators may apply such regulations to Internet activities. There are currently few laws or regulations directly applicable to access to or commerce on the Internet. Due to increasing popularity and use of the Internet, however, it is possible that a number of laws and regulations may be adopted with respect to the Internet, covering issues such as user privacy, pricing, characteristics and quality of products and services. The adoption of any additional laws or regulations may also decrease the growth of the Internet, which could in turn decrease the demand for CMG's products and services or could increase CMG's cost of doing business. Moreover, the applicability to the Internet of a range of existing laws in domestic and international jurisdictions governing issues such as commerce, taxation, property ownership, defamation and personal privacy is uncertain and will likely evolve over the course of many years. Any such new legislation or regulation or application or interpretation of existing laws, including tax laws, could have an adverse effect on CMG's business, results of operations and financial condition.

RAPID CHANGE IN TECHNOLOGY AND DISTRIBUTION CHANNELS - Because the use of the Internet as a commercial medium is relatively recent and continues to evolve, the market for CMG's products and services is characterized by rapidly changing technology, evolving industry standards, frequent new product and service introductions, shifting distribution channels, and changing customer demands. Accordingly, CMG's future success will depend on its ability to adapt to this rapidly evolving marketplace. There can be no assurance that CMG will be able to adequately adapt its products and services or to acquire new products and services that can compete successfully or that CMG will be able to establish and maintain effective distribution channels. Failure to maintain competitive product and service offerings and distribution channels would have an adverse affect on CMG's business, results of operations and financial condition. In addition, responding to these rapid technological changes could require substantial expenditures by CMG, and there can be no assurance that such expenditures will yield a positive investment return.

INTENSE COMPETITION - The market for Internet products and services is highly competitive and lacks significant barriers to entry. CMG expects competition to intensify in the future. Numerous well-established companies and smaller entrepreneurial companies are focusing significant resources on developing and marketing products and services that will compete with CMG's products and services. There can be no assurance that CMG will be able to compete successfully or that competitive pressures, including possible downward pressure on the prices it charges for its products and services, will not adversely affect its business, results of operations and financial condition.

RISKS INHERENT TO CMG'S ACQUISITION STRATEGY - CMG has in the past, and intends in the future, to expand though the acquisition of businesses, technologies, products and services, such as the recent acquisitions of Accipiter, InSolutions and On-Demand Solutions. Acquisitions may result in the potentially dilutive issuance of equity securities, the incurrence of additional debt, the write-off of in-process research and development of software acquisition and development costs, and the amortization of goodwill and other intangible assets. For example, for the year ended July 31, 1998, the Company recorded in-process research and development expense of approximately $19.1 million, primarily in connection with the acquisition of Accipiter. In September, 1998, a representative of the Securities and Exchange Commission (the SEC) advised the American Institute of Certified Public Accountants with respect to factors to be considered in the valuation of in-process research and development. Although the release of this new guidance presents the potential risk of adjustments to reported amounts, if the Company's valuation methodology were to be challenged by the SEC, the Company believes that its recorded in-process research and

development expenses were determined in compliance with such guidance. Any such adjustment could result in an increase in the amount of goodwill recorded, which would result in higher amortization expenses and, therefore, adversely affect the Company's operating results. Further, acquisitions involve a number of special problems, including difficulty integrating technologies, operations and personnel and diversion of management attention in connection with both negotiating the acquisitions and integrating the assets. There can be no assurance that CMG will be successful in addressing such problems. In addition, growth associated with numerous acquisitions places significant strain on CMG's managerial and operational resources. CMG's future operating results will depend to a significant degree on its ability to successfully manage growth and integrate acquisitions. Furthermore, many of CMG's investments are in early-stage companies, with limited operating histories and limited or no revenues; there can be no assurance that CMG will be successful in developing such companies.

UNCERTAINTIES ASSOCIATED WITH SELLING ASSETS - A significant element of CMG's business plan involves selling, in public or private offerings, portions of the companies it has acquired and developed. CMG's ability to engage in any such transactions, the timing of such transactions and the amount of proceeds from such transactions are dependant on market and other conditions largely beyond CMG's control. Accordingly, there can be no assurance that CMG will be able to engage in such transactions in the future or that when CMG is able to engage in such transactions they will be at favorable prices. If CMG were unable to liquidate portions of its portfolio companies at favorable prices, CMG's business, financial condition and results of operations would be adversely affected.

FLUCTUATING VALUE OF CERTAIN STOCK ASSETS - A portion of the Company's assets includes the equity securities of both publicly traded and non-publicly traded companies. Such assets include a large number of shares of common stock of Lycos and GeoCities, both publicly traded companies. Fluctuations in the market price and valuations of the Company's holdings in such other companies, which are partially dependent on market and other conditions that are beyond the Company's control, may result in fluctuations of the market price of the Company's Common Stock.

MANAGEMENT OF GROWTH - CMG's growth has placed, and is expected to continue to place, a significant strain on CMG's managerial, operational and financial resources. Further, as the number of CMG's users, advertisers and other business partners grows, CMG is required to manage multiple relationships with various customers, strategic partners and other third parties. These requirements will be exacerbated in the event of further growth of CMG or in the number of its strategic relationships or sponsorship arrangements. There can be no assurance that CMG's systems, procedures or controls will be adequate to support CMG's operations or that CMG management will be able to achieve the rapid execution necessary to successfully offer its services and implement its business plan. CMG's future operating results will also depend on its ability to expand its sales and marketing organization and expand its support organization commensurate with the growth of its business and the Internet. If CMG is unable to manage growth effectively, CMG's business, results of operations and financial condition will be adversely affected.

RISKS ASSOCIATED WITH BRAND DEVELOPMENT - The Company believes that establishing and maintaining its brand names is a crucial aspect of its effort to continue to expand and attract Internet business and that the importance of brand recognition will increase in the future due to the growing number of Internet companies. Promotion and enhancement of the Company's brand names will depend largely on the Company's ability to provide consistently high-quality products and services, which cannot be assured. If consumers do not perceive the Company's existing products and services to be of high quality, or if the Company introduces new products and services or enters into new business ventures that are not favorably received by consumers, the value of the Company's brand names could be diminished.

DEPENDENCE ON THIRD-PARTY RELATIONSHIPS - CMG is currently, and expects to be in the future, dependent on a number of third-party relationships. These relationships include arrangements relating to the creation of traffic on CMG-affiliated Web sites and resulting generation of advertising and commerce-related revenue. The termination of, or the failure of such CMG-affiliated Web sites to renew on reasonable terms, such relationships could have an adverse effect on CMG's business, results of operations and financial condition. CMG also is generally dependent on other third-party relationships with advertisers, sponsors and partners. Most of these arrangements do not require future minimum commitments to use CMG's services, are often not exclusive and are often short-term or may be terminated at the convenience of the other party. There can be no assurance that these third parties will not reassess their commitment to CMG at any time in the future, or that they will not develop their own competitive services or products. Further, there can be no assurance that the services of these companies will achieve market acceptance or commercial success and therefore there can be no assurance that CMG's existing relationships will result in sustained or successful business partnerships or significant revenues for CMG.

FLUCTUATIONS IN QUARTERLY RESULTS - CMG's operating results have fluctuated widely on a quarterly basis during the last several years, and the Company expects to experience significant fluctuations in future quarterly operating results. Such fluctuations have been, and may in the future be, caused by numerous factors, many of which are outside CMG's control, including demand for CMG's products and services, incurrence of costs associated with acquisitions, divestitures and investments, the timing of divestitures, market acceptance of new products and services, specific economic conditions in the Internet and direct marketing industries, and general economic conditions. The emerging nature of commercial use of the Internet makes predictions concerning future revenues difficult. CMG believes that period-to-period comparisons of its results of operations will not necessarily be meaningful and should not be relied upon as indicative of future performance.

COMPUTER OPERATIONS - The Company's operations are dependent in part upon its ability to protect its computer operating systems against physical damage from fire, floods, earthquakes, power loss, telecommunications failures, break-ins and similar events. The Company's data centers are equipped with generator back up equipment, multiple fiber lines and other liquid and fire protection systems for protection in case of disaster. Despite the implementation of physical and network security measures by the Company, its

servers are also vulnerable to computer viruses, break-ins and similar disruptive problems. The occurrence of any of these events could result in interruptions, delays or cessations in service to users of the Company's products and services which could have a material adverse effect on the Company's business, results of operations and financial condition.

DEPENDENCE ON PROPRIETARY RIGHTS; RISK OF INFRINGEMENT - CMG's success depends in part on its proprietary technology and its ability to protect such technology under applicable patent, trademark, copyright and trade secret laws. Accordingly, CMG seeks to protect the intellectual property rights underlying its products and services by filing applications and registrations, as appropriate, and through its agreements with employees, suppliers, customers and partners. However, there can be no assurance that measures adopted by CMG to protect its proprietary technology will prevent infringement or misappropriation of such technology. Further, legal standards relating to the validity, enforceability and scope of protection of certain proprietary rights in the context of the Internet industry currently are not resolved. CMG licenses certain components of its products and services from third parties. The failure by CMG to maintain such licenses, or to find replacement components in a timely and cost effective manner, could have a material adverse effect on CMG's business, results of operation and financial condition. From time to time CMG has been, and expects to continue to be, subject to claims in the ordinary course of its business, including claims of alleged infringement of intellectual property rights of third parties by CMG. Any such claim could subject CMG to significant liability for damages and could result in invalidation of CMG's proprietary rights and, even if not meritorious, could be time-consuming and expensive to defend, and could result in the diversion of management time and attention, any of which could have an adverse effect on CMG's business, results of operations or financial condition.

Exhibit 13.3

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	July 31, 1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 61,537	$ 59,762
Available-for-sale securities	5,764	5,945
Accounts receivable, trade, less allowance for doubtful accounts of $1,055 and $1,083 in 1998 and 1997	23,960	28,935
Inventories	8,250	3,077
Prepaid expenses	3,210	6,174
Other current assets	2,364	2,798
Total current assets	105,085	106,691
Property and equipment	24,397	20,091
Less accumulated depreciation and amortization	10,424	8,947
Net property and equipment	13,973	11,144
Investments in affiliates	66,187	9,160
Costs in excess of net assets of subsidiaries acquired, net of accumulated amortization of $3,508 in 1998 and $1,420 in 1997	49,682	17,109
Other assets	2,533	4,250
	$237,460	$148,354
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 27,656	$ 22,494
Current installments of long-term debt	16,594	3,221
Accounts payable	11,261	9,959
Accrued income taxes	10,085	--
Accrued expenses	20,534	18,341
Deferred revenues	4,932	13,680
Other current liabilities	1,239	442
Total current liabilities	92,301	68,137
Long-term debt, less current installments	1,373	9,550
Long-term deferred revenues	--	5,100
Deferred income taxes	10,528	8,481
Other long-term liabilities	4,428	2,119
Minority interest	11,045	25,519

Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value per share. Authorized 5,000,000 shares; none issued	--	--
Common stock, $0.01 par value per share. Authorized 40,000,000 shares; issued and outstanding 23,033,943 shares at July 31, 1998 and 19,319,086 shares at July 31, 1997	230	193
Additional paid-in capital	91,260	16,783
Net unrealized gain (loss) on available-for-sale securities	(436)	852
Deferred compensation	(1,442)	--
Retained earnings	28,173	11,620
Total stockholders' equity	117,785	29,448
	$237,460	$148,354

see accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Years ended July 31, 1998	1997	1996
Net revenues	$ 91,484	$ 70,607	$ 28,485
Operating expenses:			
Cost of revenues	78,831	42,152	17,909
Research and development	19,709	25,058	6,971
In-process research and development	19,135	1,312	2,691
Selling	31,071	37,583	11,666
General and administrative	21,749	17,611	9,822
Total operating expenses	170,495	123,716	49,059
Operating loss	(79,011)	(53,109)	(20,574)
Other income (deductions):			
Interest income	2,426	3,368	2,750
Interest expense	(3,296)	(1,619)	(59)
Gain on sale of data warehouse product rights	8,437	--	--
Gain on sale of Lycos, Inc. common stock	97,158	--	--
Gain on stock issuance by Lycos, Inc.	28,301	--	19,575
Gain on sale of available-for-sale securities	4,174	--	30,049
Gain on sale of investment in TeleT Communications	--	3,616	--
Gain on sale of NetCarta Corporation	--	15,111	--
Gain on dividend distribution of Lycos, Inc. common stock	--	8,413	--
Equity in losses of affiliates	(11,821)	(5,556)	(2,915)
Minority interest	(28)	4,787	2,169
	125,351	28,120	51,569
Income (loss) before income taxes	46,340	(24,989)	30,995
Income tax expense (benefit)	29,787	(2,962)	16,673
Net income (loss)	$ 16,553	$(22,027)	$ 14,322
Earnings (loss) per share:			
Basic	$ 0.79	$ (1.17)	$ 0.80
Diluted	$ 0.74	$ (1.17)	$ 0.74
Weighted average shares outstanding:			
Basic	20,833	18,858	18,008
Diluted	22,515	18,858	19,364

see accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share amounts)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	NET UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE SECURITY	DEFERRED COMPENSATION	RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
Balance at July 31, 1995 (17,677,440 shares)	$177	$ 6,973	$ 18,005	$ --	$ 30,335	$ --	$ 55,490
Net income	--	--	--	--	14,322	--	14,322
Issuance of common stock (656,054 shares)	6	365	--	--	--	--	371
Tax benefit of stock option exercises	--	695	--	--	--	--	695
Effect of subsidiaries' equity transactions	--	1,119	--	--	--	--	1,119
Sale of available-for-sale securities	--	--	(18,005)	--	--	--	(18,005)
Balance at July 31, 1996 (18,333,494 shares)	183	9,152	--	--	44,657	--	53,992
Net loss	--	--	--	--	(22,027)	--	(22,027)
Dividend of Lycos, Inc. common stock	--	--	--	--	(11,010)	--	(11,010)
Net unrealized gain on available-for-sale securities	--	--	852	--	--	--	852
Purchase of treasury stock (200,000 shares)	--	--	--	--	--	(984)	(984)
Issuance of common stock (1,185,592 shares)	10	7,176	--	--	--	984	8,170
Tax benefit of stock option exercises	--	277	--	--	--	--	277
Effect of subsidiaries' equity transactions	--	178	--	--	--	--	178
Balance at July 31, 1997 (19,319,086 shares)	193	16,783	852	--	11,620	--	29,448
Net income	--	--	--	--	16,553	--	16,553
Issuance of common stock (3,714,857 shares)	37	67,763	--	--	--	--	67,800
Deferred compensation related to acquisition of Accipiter, Inc.	--	1,731	--	(1,731)	--	--	--
Amortization of deferred compensation	--	--	--	289	--	--	289
Sale of available-for-sale securities	--	--	(852)	--	--	--	(852)
Net unrealized loss on available-for-sale securities	--	--	(436)	--	--	--	(436)
Tax benefit of stock option exercises	--	3,114	--	--	--	--	3,114
Effect of subsidiaries' equity transactions	--	1,869	--	--	--	--	1,869
Balance at July 31, 1998 (23,033,943 shares)	$230	$91,260	$ (436)	$(1,442)	$ 28,173	$ --	$117,785

see accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years ended July 31, 1998	1997	1996
Cash flows from operating activities:			
Net income (loss)	$ 16,553	$(22,027)	$ 14,322
Adjustments to reconcile net income (loss) to net cash used for operating activities:			
Depreciation and amortization	6,793	5,307	2,823
Deferred income taxes	(802)	(871)	8,283
Non-operating gains	(138,070)	(27,140)	(49,624)
Equity in losses of affiliates	11,821	5,556	2,915
Minority interest	28	(4,787)	(2,169)
In-process research and development	19,135	1,312	2,691
Changes in operating assets and liabilities, excluding effects from acquisitions and divestitures of subsidiaries:			
Trade accounts receivable	(8,656)	(11,963)	(7,269)
Inventories	(3,873)	(2,390)	--
Prepaid expenses	(1,269)	(4,046)	(1,762)
Accounts payable and accrued expenses	8,600	10,039	8,232
Deferred revenues	3,618	12,866	4,595
Refundable and accrued income taxes, net	15,031	(3,157)	(7,678)
Other assets and liabilities	(634)	(352)	(685)
Net cash used for operating activities	(71,725)	(41,653)	(25,326)
Cash flows from investing activities:			
Additions to property and equipment	(8,189)	(6,939)	(7,068)
Investments in affiliates and acquisitions of subsidiaries, net of cash acquired	(34,512)	(23,566)	(6,010)
Proceeds from sale of data warehouse product rights	9,543	--	--
Proceeds from sales of Lycos, Inc. common stock	108,876	--	--
Proceeds from sale or maturities of available-for-sale securities	7,555	13,069	69,918
Purchases of available-for-sale securities	(5,000)	--	(25,526)
Proceeds from sales of NetCarta Corporation and investment in TeleT Communications	--	19,018	--
Reduction in cash due to deconsolidation of Lycos, Inc.	(41,017)	--	--
Other, net	(338)	(734)	(67)
Net cash provided by investing activities	36,918	848	31,247
Cash flows from financing activities:			
Proceeds from issuance of notes payable, net of repayments	4,456	22,630	--
Proceeds from issuance of long-term debt	10,250	6,500	--
Repayments of long-term debt	(7,521)	(1,230)	--
Sale of common and treasury stock	23,206	8,170	371
Purchase of treasury stock	--	(984)	--
Net proceeds from issuance of stock by subsidiaries	3,526	--	48,058
Other	2,665	2,094	(386)
Net cash provided by financing activities	36,582	37,180	48,043
Net increase (decrease) in cash and cash equivalents	1,775	(3,625)	53,964
Cash and cash equivalents at beginning of year	59,762	63,387	9,423
Cash and cash equivalents at end of year	$ 61,537	$ 59,762	$ 63,387

see accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

(1) Nature of Operations

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

(2) Summary of Significant Accounting Policies
(a) Principles of Consolidation and Presentation

The consolidated financial statements of the Company include its wholly-owned and majority-owned subsidiaries which at July 31, 1998 include, Engage Technologies, Inc. (Engage), Accipiter, Inc. (Accipiter), CMG Direct Corporation (CMG Direct), SalesLink Corporation (SalesLink), InSolutions, Inc. (InSolutions), On-Demand Solutions, Inc. (On-Demand Solutions), CMG@Ventures, Inc., CMG@Ventures I, LLC (CMG@Ventures I, formerly CMG@Ventures, L.P.), CMG@Ventures Capital Corporation, CMG Securities Corporation, CMG@Ventures II, LLC (CMG@Ventures II), Blaxxun Interactive, Inc. (Blaxxun), ADSmart Corporation (ADSmart), InfoMation Publishing Corporation (Infomation), Planet Direct Corporation (Planet Direct), Navisite Internet Services Corporation (NaviSite), Password Internet Publishing Corporation (Password) and Vicinity Corporation (Vicinity). All significant intercompany accounts and transactions have been eliminated in consolidation. The Company accounts for investments in businesses in which it owns between 20% and 50% using the equity method and accounts for investments in which it owns less than 20% at original cost. Certain amounts for prior periods have been reclassified to conform with current year presentations.

(b) Revenue Recognition

Revenue from the sale of mailing lists is recognized when the mailing labels are shipped. Revenue for services is recognized upon completion of the service.

The Company's advertising revenues are derived principally from short-term Internet advertising contracts in which the Company guarantees a minimum number of impressions for a fixed fee or on a per-impression basis with an established minimum fee. Revenues from advertising are recognized as the services are performed.

The Company's license and product revenues are derived principally from product licensing fees and fees from maintenance and support of its products. License and product revenues are generally recognized upon delivery provided that no significant Company obligations remain and collection of the receivable is probable. In cases where there are significant remaining obligations, the Company defers such revenue until those obligations are satisfied. Fees from maintenance and support of the Company's products, including those fees bundled with the initial licensing fees, are deferred and recognized ratably over the service period.

(c) Gain on Issuances of Stock by Subsidiaries

At the time a subsidiary sells its stock to unrelated parties at a price in excess of its book value, the Company's net investment in that subsidiary increases. If at that time, the subsidiary is an operating entity and not engaged principally in research and development, the Company records the increase as a gain in its Consolidated Statements of Operations. Otherwise, the increase is reflected in "effect of subsidiaries' equity transactions" in the Company's Consolidated Statements of Stockholders' Equity.

If gains have been recognized on issuances of a subsidiary's stock and shares of the subsidiary are subsequently repurchased by the subsidiary or by the Company, gain recognition does not occur on issuances subsequent to the date of a repurchase until such time as shares have been issued in an amount equivalent to the number of repurchased shares. Such transactions are reflected as equity transactions, and the net effect of these transactions is reflected in the Consolidated Statements of Stockholders' Equity.

(d) Cash Equivalents and Statement of Cash Flows Supplemental Information
Highly liquid investments with maturities of three months or less at the time of acquisition are considered cash equivalents.

Net cash used for operating activities reflect cash payments for interest and income taxes, net of income tax refunds received, as follows:

	Year ended July 31,		
	1998	1997	1986
Interest	$ 2,856,00	$1,429,000	$ 26,000
Income taxes	$15,720,000	$1,856,000	$16,069,000

During fiscal year 1998, significant non-cash investing activities included the sale of data warehouse product rights by the Company's subsidiary, Engage, in exchange for available-for-sale securities in addition to $9.5 million in cash (see note 3). Also, portions of the consideration for acquisitions of businesses by the Company, or its subsidiary, during fiscal 1998 included the issuance of shares of the Company's common stock and the issuance of seller's notes (see note 7).

During fiscal year 1997, significant non-cash investing activities included the sale of the Company's equity interest in TeleT Communications, LLC (TeleT) in exchange for available-for-sale securities in addition to $550,000 in cash (see note 10) and the acquisition of one subsidiary, Pacific Direct

Marketing Corporation (Pacific Link), for consideration which included $7.5 million financed through a seller's note (see note 7). Significant non-cash financing activities in fiscal 1997 consisted of the dividend distribution of 603,000 shares of Lycos stock to CMG shareholders (see note 14).

During fiscal year 1996, in a non-cash investing transaction, the Company's then consolidated subsidiary, Lycos, Inc. (Lycos), acquired Point Communications Corporation in exchange for 526,316 shares of Lycos stock.

(e) Fair Value of Financial Instruments

The carrying value for cash and cash equivalents, accounts receivable, accounts payable and notes payable, approximates fair value because of the short maturity of these instruments. The carrying value of long-term debt approximates its fair value, as estimated by using discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

(f) Marketable Securities

The Company determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. Marketable securities have been classified as available-for-sale and are carried at fair value, based on quoted market prices, net of market value discount to reflect any restrictions on transferability, with unrealized gains and losses reported as a separate component of stockholders' equity.

(g) Inventories

Inventories consist primarily of raw materials used in the Company's fulfillment services segment and are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

(h) Accounting for Impairment of Long-Lived Assets

The Company assesses the need to record impairment losses on long-lived assets used in operations when indicators of impairment are present. On an on-going basis, management reviews the value and period of amortization or depreciation of long-lived assets, including costs in excess of net assets of subsidiaries acquired. During this review, the Company reevaluates the significant assumptions used in determining the original cost of long-lived assets. Although the assumptions may vary from transaction to transaction, they generally include revenue growth, operating results, cash flows and other indicators of value. Management then determines whether there has been a permanent impairment of the value of long-lived assets based upon events or circumstances which have occurred since acquisition.

(i) Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization is provided on the straight-line basis over the estimated useful lives of the respective assets (three to seven years). Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful life of the asset or the lease term.

Maintenance and repairs are charged to operating expenses as incurred. Major renewals and betterments are added to property and equipment accounts at cost.

(j) Investments in Affiliates

The Company's investments in affiliated companies for which its ownership exceeds 20%, but which are not majority-owned or controlled, are accounted for using the equity method. Under the equity method, the Company's proportionate share of each affiliate's net income or loss and amortization of the Company's net excess investment over its equity in each affiliate's net assets is included in "equity in losses of affiliates". Amortization is recorded on a straight-line basis over periods ranging from five to ten years.

At the time an affiliate sells its stock to unrelated parties at a price in excess of its book value, the Company's net investment in that affiliate increases. If at that time, the affiliate is an operating entity and not engaged principally in research and development, the Company records the increase as a gain in its Consolidated Statements of Operations.

(k) Costs in Excess of Net Assets of Subsidiaries Acquired
The costs in excess of net assets of subsidiaries acquired (goodwill) are principally being amortized over periods expected to be benefited, ranging from five to twenty years.

(l) Deferred Revenues

Deferred revenues are comprised of license fees to be earned in the future on license agreements existing at the balance sheet date and billings in excess of earnings on both license and advertising contracts.

(m) Research and Development Costs and Software Costs

Expenditures related to the development of new products and processes, including significant improvements and refinements to existing products and the development of software, are expensed as incurred, unless they are required to be capitalized. Software development costs are required to be capitalized when a product's technological feasibility has been established by completion of a detailed program design or working model of the product, and ending when a product is available for general release to customers. To date, the establishment of technological feasibility and general release have substantially coincided. As a result, capitalized software development costs have not been significant. Additionally, at the date of acquisition or investment, the Company evaluates the components of the purchase price of each acquisition or investment to identify amounts allocated to in-process research and development. Upon completion of acquisition accounting and valuation, such amounts are charged to expense if technological feasibility had not been reached at the acquisition date. In September, 1998, a representative of the Securities and Exchange Commission (the SEC) advised the American Institute of Certified Public Accountants with respect to factors to be considered in the valuation of in-process research and development. Based on a review of the valuation methodologies applied, the Company believes it has taken these factors into consideration in determining amounts recorded in the current fiscal year ended July 31, 1998.

(n) Accounting for Income Taxes

Income taxes are accounted for under the asset and liability method whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(o) Earnings (Loss) Per Share

During the second quarter of fiscal 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 year ended July 31, 1997, common equivalent shares have not been included in the calculation of diluted earnings per share for that period.

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. The effect of income attributable to dilutive subsidiary stock equivalents was immaterial during the years ended July 31, 1998, 1997 and 1996.

The reconciliation of the denominators of the basic and diluted earnings (loss) per share computations for the Company's reported net income (loss) is as follows:

	Years Ended July 31,		
	1998	1997	1996
Weighted average number of common shares outstanding -- basic	20,833,000	18,858,000	18,008,000
Weighted average number of dilutive common stock equivalents outstanding	1,682,000	--	1,356,000
Weighted average number of common shares outstanding -- diluted	22,515,000	18,858,000	19,364,000

(p) Stock-Based Compensation Plans

The Company has adopted SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by SFAS No. 123, the Company measures compensation cost in accordance with Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, no accounting recognition is given to stock options granted at fair market value until they are exercised. Upon exercise, net proceeds, including tax benefits realized, are credited to equity. Therefore, the adoption of SFAS No. 123 was not material to the Company's financial condition or results of operations; however, the pro forma impact on earnings per share has been disclosed in the Notes to Consolidated Financial Statements as required by SFAS No. 123 (see note 15).

(q) Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the

reporting period. Actual results could differ from those estimates.

(r) Diversification of Risk

Sales to one customer, Cisco Systems, Inc. (Cisco), accounted for 42% and 24% of net revenues and 61% and 47% of fulfillment services segment net revenues for fiscal year 1998 and 1997, respectively. Accounts receivable from this customer amounted to approximately 26% and 14% of total trade accounts receivable at July 31, 1998 and July 31, 1997, respectively. The Company's products and services are provided to customers primarily in North America.

Financial instruments which potentially subject the Company to concentrations of credit risk are cash equivalents, available-for-sale securities, and accounts receivable. The Company's cash equivalent investment portfolio is diversified and consists primarily of short-term investment grade securities. To reduce risk, the Company performs ongoing credit evaluations of its customers' financial conditions and generally does not require collateral on accounts receivable. The Company has not incurred any material write-offs related to its accounts receivable.

The Company enters into interest rate swap and cap agreements to reduce the impact of changes in interest rates on its floating rate debt. The swap agreements are contracts to exchange floating rate for fixed interest payments periodically over the life of the agreements without the exchange of the underlying notional amounts. The notional amounts of interest rate agreements are used to measure interest to be paid or received and do not

represent the amount of exposure to credit loss. The differential paid or received on interest rate agreements is recognized as an adjustment to interest expense.

(s) New Accounting Pronouncements

In June, 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 130 establishes standards for reporting and displaying comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income is a measure of all changes in stockholders' equity that result from recognized transactions and other economic events of a period, other than transactions with owners in their capacity as owners. SFAS No. 131 establishes standards for the way that public business enterprises report selected information about operating segments in annual and interim financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS No. 131 requires the use of the "management approach" in disclosing segment information, based largely on how senior management generally analyzes the business operations. SFAS No. 130 and 131 become effective for the Company in fiscal 1999. The Company is in the process of determining the impact of these standards, if any, on its consolidated financial statements and related disclosures.

In December, 1997, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 97-2, "Software Revenue Recognition." SOP 97-2 establishes standards relating to the recognition of all aspects of software revenue. SOP 97-2 is effective for transactions entered into beginning in the Company's fiscal year 1999 and may require the Company to modify certain aspects of its revenue recognition policies. The Company does not expect the adoption of SOP 97-2 to have a material impact on the Company's consolidated results of operations.

In March, 1998, the Accounting Standards Executive Committee of the American institute of Certified Public Accountants, issued SOP 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use," which requires the capitalization of certain internal costs related to the implementation of computer software obtained for internal use. The Company is required to adopt this standard in the first quarter of fiscal year 2000. The Company expects that the adoption of SOP 98-1 will not have a material impact on the Company's financial position or its results of operations.

In June, 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. SFAS No. 133 requires the recognition of all derivatives as either assets or liabilities in the statement of financial position and the measurement of those instruments at fair value. The Company is required to adopt this standard in the first quarter of fiscal year 2000. The Company expects that the adoption of SFAS No. 133 will not have a material impact on the Company's financial position or its results of operations.

(3) Segment Information

The Company's continuing operations have been classified in three primary business segments, (i) investment and development, (ii) fulfillment services, and (iii) lists and database services. Investment and development is a business segment formed during the third quarter of fiscal year 1995 to focus on strategic investment and development opportunities afforded by the Internet and interactive media markets. Fulfillment services include product and literature fulfillment and turnkey outsourcing, telemarketing, and sales/lead inquiry management. Lists and database services consists of marketing of traditional customer and prospect list databases and services as well as providing solutions for integrating traditional direct marketing with Internet marketing. Corporate and other includes available-for-sale securities, certain cash equivalents and certain other assets which are not identifiable to the operations of the Company's primary business segments.

From its inception in August, 1995, through July 31, 1997, the Company's subsidiary, 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 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 certain rights 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. 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.

During fiscal 1998, Cisco accounted for approximately 61% of net revenues in the fulfillment services segment. Previously, Cisco accounted for 47% of fulfillment services segment net revenues in fiscal 1997 and three customers individually accounted for 15%, 15% and 13% of segment net revenues in fiscal 1996. During the fiscal years ended July 31, 1997 and 1996, one significant customer accounted for approximately 12% and 13%, respectively, of net revenues in the lists and database services segment. Summarized financial information by business segment for the fiscal years ended July 31, 1998, 1997 and 1996 is as follows:

	Years Ended July 31,		
	1998	1997	1996
Net revenues:			
Investment and development	$ 18,709,000	$ 23,917,000	$ 5,665,000
Fulfillment services	63,207,000	36,139,000	12,070,000
Lists and database services	9,568,000	10,551,000	10,750,000
	$ 91,484,000	$ 70,607,000	$ 28,485,000
Operating income (loss):			
Investment and development	$(79,898,000)	$(45,250,000)	$(19,961,000)
Fulfillment services	1,444,000	4,330,000	1,566,000
Lists and database services	(557,000)	(12,189,000)	(2,179,000)
	$(79,011,000)	$(53,109,000)	$(20,574,000)
Total assets:			
Investment and development	$ 96,135,000	$ 87,626,000	$ 68,256,000
Fulfillment services	67,356,000	32,734,000	6,366,000
Lists and database services	4,005,000	10,317,000	8,338,000
Corporate and other	69,964,000	17,677,000	26,543,000
	$237,460,000	$148,354,000	$109,503,000
Capital expenditures:			
Investment and development	$ 3,710,000	$ 3,745,000	$ 3,128,000
Fulfillment services	4,333,000	1,064,000	800,000
Lists and database services	146,000	2,130,000	3,140,000
	$ 8,189,000	$ 6,939,000	$ 7,068,000
Depreciation and amortization:			
Investment and development	$ 3,782,000	$ 2,410,000	$ 1,546,000
Fulfillment services	2,556,000	1,634,000	460,000
Lists and database services	455,000	1,263,000	817,000
	$ 6,793,000	$ 5,307,000	$ 2,823,000

The fulfillment services segment operating income was adjusted during the fourth quarter of fiscal year 1998 to correct prior quarters' understatements of cost of sales by SalesLink's subsidiary company, Pacific Link. The cost of sales understatement was caused by estimates used in determining the material content in cost of sales. As a result, previous quarterly results had understated cost of sales and overstated inventory. Had such adjustments been recorded in the period in which they occurred, quarterly fulfillment services segment operating income would have been as follows:

	Three Months Ended				
	October 31,	January 31,	April 30,	July 31,	
	1997	1998	1998	1998	Total
As Previously Reported	$1,061,000	$1,149,000	$1,547,000	$(2,313,000)	$1,444,000
As Restated	$ 279,000	$ 335,000	$ 656,000	$ 174,000	$1,444,000

(4) 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. Through the sale and distribution of Lycos shares, the Company's ownership percentage in Lycos was reduced from just in excess of 50% at October 31, 1997, to below 50% beginning in November, 1997. 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 consolidated operating results for the fiscal years ended July 31, 1997 and 1996 included Lycos net revenues of $22,253,000 and $5,257,000, respectively, and Lycos operating losses of ($8,759,000) and ($5,802,000), respectively. The Company's consolidated operating results for the fiscal quarter ended October 31, 1997 included Lycos net revenues and operating loss of $9,303,000 and ($433,000), respectively. The Company's historical Consolidated Balance Sheets as of July 31, 1997 and October 31, 1997 included Lycos amounts as follows:

	Jul. 31, 1997	Oct. 31, 1997
Current assets	$60,745,000	$63,935,000
Total assets	$65,419,000	$67,694,000
Current liabilities	$22,615,000	$25,822,000
Total liabilities	$27,772,000	$29,259,000

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

Condensed Statement of Operations:

	Nine Months Ended July 31, 1998
Net revenues	$ 46,757,000
Operating loss	$(99,536,000)
Net loss	$(97,024,000)

Note: Lycos' operating and net loss for the nine months ended July 31, 1998 includes in-process research and development and other one-time merger related charges of $92,479,000.

Condensed Balance Sheet:

	July 31, 1998
Current assets	$209,671,000
Noncurrent assets	39,087,000
Total assets	$248,758,000
Current liabilities	$ 53,734,000
Noncurrent liabilities	26,337,000
Stockholders' equity	168,687,000
Total liabilities and stockholders' equity	$248,758,000

(5) Available-for-Sale Securities

At July 31, 1998, available-for-sale securities consist of 334,728 shares of Open Market, Inc. common stock and 238,160 shares of Red Brick common stock, carried at fair value and based on quoted market prices, net of a market value discount to reflect the remaining restriction on transferability for the Red Brick common shares. A $314,000 unrealized holding gain and a $750,000 unrealized holding loss was recorded on the Open Market, Inc. and Red Brick shares, respectively, based on the change in market value of the respective stocks from dates of acquisition to July 31, 1998. The net $436,000 unrealized holding loss is presented in the equity section of the July 31, 1998 Consolidated Balance Sheet.

During the first quarter of fiscal year 1998, CMG@Ventures I 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's profit members. The Company sold its 224,795 shares during fiscal 1998 for proceeds of $7,555,000, realizing a net gain of $4,174,000 on the sale.

At July 31, 1997, available-for-sale securities consist of 283,333 shares of Premiere common stock carried at fair value, based on quoted market price, net of a market value discount to reflect restrictions on transferability through September 19, 1997. An $852,000 unrealized gain, based on the change in market value of the stock from date of acquisition to July 31, 1997, is presented in the equity section of the July 31, 1997 Consolidated Balance Sheet, net of deferred income taxes.

(6) Property and Equipment

Property and equipment consists of the following:

	July 31, 1998	1997
Machinery and equipment	$13,873,000	$10,609,000
Software	4,188,000	3,693,000
Leasehold improvements	2,928,000	2,646,000
Office furniture and equipment	2,750,000	2,485,000
Other equipment	658,000	658,000
	$24,397,000	$20,091,000

(7) Business Combinations

On October 24, 1996, the Company's subsidiary, SalesLink, acquired Pacific Link, a company specializing in high technology product and literature fulfillment and turnkey outsourcing. The consideration for the acquisition was $17,000,000, $8,500,000 of which was paid in cash at the date of acquisition, $1,000,000 of which SalesLink paid (along with interest at the annual rate of 7%) in February 1997, and the remaining $7,500,000 of which was financed through a seller's note (see note 12). The sources of the cash portion of the purchase price were $3,000,000 from corporate funds provided by the Company to SalesLink for the acquisition and $5,500,000 from a bank loan.

On April 9, 1998, the Company acquired Accipiter, a company specializing in Internet advertising management solutions, in exchange for 1,263,692 shares of the Company's common stock. The shares issued by the Company in the acquisition of Accipiter are not registered under the Securities Act of 1933 and are subject to restrictions on transferability for periods ranging from six to twenty-four months from the date of issuance. The total purchase price for Accipiter was valued at $30,178,000, including costs of acquisition of $198,000. The value of the Company's shares included in the purchase price was recorded net of a weighted average 15% market value discount to reflect the restrictions on transferability. Of the purchase price, $18,010,000 was allocated to in-process research and development which has been charged to operations during fiscal 1998.

Approximately $1.7 million of deferred compensation was recorded during fiscal 1998 relating to approximately 43,000 of the Company's common shares issued to employee stockholders of Accipiter which are being held in escrow. These shares are subject to forfeiture upon termination of employment over a two-year period. Deferred compensation expense will be recognized over the two-year service period.

Also during fiscal 1998, the Company, or its subsidiaries, completed the acquisition of three other companies for purchase prices valued at a combined total of $23,630,000, including InSolutions ($15,218,000 purchase price in June, 1998), Servercast Communications, LLC (Servercast, $1,020,000 in July, 1998) and On-Demand Solutions ($7,392,000 on July 31, 1998). The combined consideration for these acquisitions consisted of 310,402 shares of the Company's common stock valued at $14,585,000, $6,578,000 in cash and $2,467,000 financed through seller's notes. The shares issued by the Company were not registered under the Securities Act of 1933 and were subject to restrictions on transferability for periods ranging from twelve to twenty-four months. The value of the Company's shares included in the purchase prices of these acquisitions were recorded net of market value discounts ranging from 12% to 22% to reflect the restrictions on transferability. $5,000,000 of the cash consideration was provided through additional bank borrowings by the Company's subsidiary, SalesLink. Additional consideration of up to $2,783,000 could be paid related to the acquisition of InSolutions if certain future performance goals are met.

The acquisitions during fiscal 1997 and 1998 have been accounted for using the purchase method, and, accordingly, the purchase prices have been allocated to the assets purchased and liabilities assumed based upon their fair values at the dates of acquisition. The portion of the purchase prices allocated to goodwill will be amortized on a straight line basis over five years for Accipiter and Servercast and over 15 years for Pacific Link, InSolutions and On-Demand Solutions. The acquired companies are included in the Company's consolidated financial statements from the dates of acquisition.

The purchase prices of the acquisitions during fiscal 1998 and 1997 were allocated as follows:

	1998		1997
	Accipiter	All Others	Pacific Link
Working capital, including cash acquired	$ 441,000	$ (989,000)	$(1,204,000)
Property, plant and equipment	262,000	1,484,000	713,000
Other assets	2,000	173,000	385,000
In-process research and development	18,010,000	--	--
Goodwill	11,463,000	23,357,000	17,229,000
Other long-term liabilities	--	(395,000)	(123,000)

Purchase price	$30,178,000	$23,630,000	$17,000,000

The following unaudited pro forma financial information presents the consolidated operations of the Company and the acquired companies as if the acquisitions had occurred as of the beginning of fiscal 1997, after giving effect to certain adjustments including increased amortization of goodwill related to the acquisitions, increased interest expense related to long-term debt issued in conjunction with the acquisitions and decreased compensation for certain officers to reflect contractual post-acquisition compensation. The one-time in-process research and development charge of $18,010,000 which was recorded in fiscal 1998 related to the acquisition of Accipiter is not included in the proforma results as it is unusual and not indicative of normal operating results. The unaudited proforma information excludes the impact of the acquisition of Servercast since it is not material to the Company's consolidated financial statements. The unaudited pro forma financial information is provided for informational purposes only and should not be construed to be indicative of the Company's consolidated results of operations had the acquisitions been consummated on the dates assumed and do not project the Company's results of operations for any future period:

	Year ended July 31, 1998	1997
Net revenues	$117,384,000	$ 98,209,000
Net income (loss)	$ 29,101,000	$(27,775,000)
Basic earnings (loss) per share	$ 1.32	$ (1.39)
Diluted earnings (loss) per share	$ 1.23	$ (1.39)

(8) CMG @Ventures Investments

During fiscal year 1996, the Company, through CMG@Ventures I, invested $19.2 million in eight companies, including $2 million in Vicinity, $750,000 in TeleT, $2 million in GeoCities, $4 million in Blaxxun, $4.5 million in NetCarta Corporation (NetCarta), $1 million in Lycos, $1.75 million in Ikonic Interactive, Inc., and $3.2 million in FreeMark Communications, Inc. (FreeMark).

CMG@Ventures I invested a total of $10.8 million in five companies during fiscal year 1997, including $2 million in Parable LLC (Parable), $1.2 million in Lycos, $3.8 million in NetCarta, $1.8 million in Vicinity and $2 million in GeoCities. During fiscal 1997, the Company completed its minimum funding commitment of $35 million to CMG@Ventures I, and formed a new limited liability company subsidiary, CMG@Ventures II, to continue the Company's Internet venture capital investment model. CMG@Ventures II invested a total of $8.3 million in five companies during fiscal year 1997, including $2 million in Silknet Software, Inc. (Silknet), $2 million in KOZ, inc. (KOZ) $1 million in Softway Systems, Inc. (Softway Systems), $1 million in Sage Enterprises, Inc. (Sage Enterprises), and $2.3 million in Reel.com LLC (Reel.com). CMG@Ventures II invested a total of $27.6 million in fifteen companies during fiscal year 1998, including $100,000 in Blaxxun, $1.8 million in GeoCities, $200,000 in Vicinity, $3 million in Silknet, $2.1 million in Parable, $150,000 in KOZ, $3.5 million in Sage Enterprises, $4.6 million in Reel.com, $1.8 million in Speech Machines plc (Speech Machines), $2.6 million in Chemdex Corporation (Chemdex), $2 million in TicketsLive Corporation (TicketsLive), $1 million in Critical Path, $2 million in Mother Nature's General Store, Inc. (Mother Nature), $1.5 million in Visto Corporation (Visto), and $1.25 million in Universal Learning Technology.

At July 31, 1998, CMG@Ventures I held equity investments in five companies, including Blaxxun (81% legal ownership), GeoCities (32%), Lycos (25%), Parable (31%), and Vicinity (50%). At July 31, 1998, CMG@Ventures II held equity investments in fourteen companies, including Chemdex (16%), Critical Path (7%), GeoCities (2%), KOZ (14%), Mother Nature (24%), Parable (11%), Reel.com (36%), Sage Enterprises (29%), Silknet (24%), Softway Systems (9%), Speech Machines (29%), TicketsLive (14%), Universal Learning Technology (12%), and Visto (6%). The Company owns 100% of the capital interest and has all voting rights with respect to CMG@Ventures I and CMG@Ventures II investments. The Company is entitled to 77.5% and 80% of the net capital gains, as defined, on investments made by CMG@Ventures I and CMG@Ventures II, respectively. The remaining interest in the net capital gains on these investments are attributed to profit partners, including the President and Chief Executive Officer and the Chief Financial Officer of the Company. The Company is responsible for all operating expenses of CMG@Ventures I and CMG@Ventures II. CMG@Ventures I's interest in Lycos is subject to further reduction because CMG@Ventures I is obligated to sell to Lycos a portion of its shares of common stock of Lycos, as necessary, to provide for shares issuable upon exercise of options granted by Lycos under its 1995 stock option plan. As of July 31, 1998, (retroactively adjusted to reflect Lycos' two-for-one stock split affected in August, 1998), CMG@Ventures I. was obligated to sell up to 391,296 shares to Lycos at a price of $0.01 per share and up to 458,048 shares at prices ranging from $0.14 to $4.80 per share. After accounting for Lycos shares subject to option funding and shares attributable to profit partners, approximately 6.5 million Lycos shares, (also on a post-split basis), were attributable to CMG as of July 31, 1998. CMG@Ventures II's investments in Sage Enterprises and Reel.com were converted into shares of Amazon.com, Inc. and Hollywood Entertainment Corporation, respectively, pursuant to mergers of the respective companies subsequent to July 31, 1998 (see note 19).

The acquisition accounting and valuation for the Company's or its subsidiaries' investments in Speech Machines, Chemdex and Silknet in fiscal 1998, Parable and

Silknet in fiscal year 1997, and FreeMark, NetCarta, GeoCities, Point Communications Corporation, and Vicinity in fiscal 1996, resulted in totals of $1,125,000, $1,312,000 and $2,691,000 in fiscal years 1998, 1997 and 1996, respectively, being identified as in-process research and development, which were expensed because technological feasibility had not been reached at the dates the investments were made.

(9) Gain on Stock Issuance by Lycos, Inc. and Effect of Subsidiaries' Equity Transactions

Gain on stock issuance by Lycos, Inc. represents the net increase in the Company's proportionate share of the dollar amount of Lycos' equity resulting from stock issuances by Lycos, a developer and provider of online guides to the Internet. The Company recorded a pretax gain of $19,575,000 in fiscal 1996 relating to Lycos' initial public offering of 3,135,000 shares of common stock at $16 per share, which raised $46,021,000 in net proceeds for Lycos. With this transaction, the Company's ownership in Lycos was reduced from approximately 76% to approximately 58%. The Company provided $8,026,000 in deferred income taxes resulting from the gain.

The Company recorded net pretax gains totaling $28,301,000 in fiscal 1998 resulting from stock issuances by Lycos. In June, 1998, the Company recorded a pre-tax gain of $25,336,000 relating to Lycos' secondary public offering of 2,337,500 shares of common stock at $50 per share, which raised net proceeds of $111,191,000 for Lycos. With this transaction, the Company's ownership in Lycos was reduced from approximately 35% to approximately 31%. The Company also recorded net pretax gains totaling $2,965,000 on other issuances of stock by Lycos during fiscal 1998, which included stock issued by Lycos in its acquisitions of Tripod, Inc., WiseWire Corporation and GuestWorld, Inc., net of the impact of in-process research and development charges recorded by Lycos related to these acquisitions; stock issued by Lycos for its minority investments in GlobeComm, Inc. and Sage Enterprises; and shares issued by Lycos as a result of employee stock option exercises. The Company provided $11,603,000 in deferred income taxes resulting from the gains on stock issuances by Lycos during fiscal 1998.

On July 31, 1996, the Company's subsidiary, Blaxxun, a developer of three dimensional interactive software, successfully completed an equity financing, issuing 400,000 shares of preferred stock to an outside party in exchange for $2,000,000. With this transaction, the Company's ownership in Blaxxun was reduced from 100% to 92% and its net equity in Blaxxun increased by $1,302,000. During fiscal 1998, Blaxxun issued 166,000 shares of common stock for net proceeds of $41,000 and 649,000 shares of preferred stock for net proceeds of $3,478,000. Included in the fiscal 1998 amounts were 93,000 shares of preferred stock purchased by the Company for $500,000. As a result of the fiscal 1998 transactions, the Company's ownership in Blaxxun was reduced from 92% to 81% and its net equity in Blaxxun increased by $3,054,000. Since at the time of the transactions Blaxxun was engaged principally in research and development, the fiscal 1996 and fiscal 1998 increases in the Company's proportionate share of the dollar amount of Blaxxun's equity of $768,000 and $1,757,000, net of $534,000 and $1,297,000 of deferred income taxes, respectively, have been reflected as an equity transaction included in "Effect of subsidiaries' equity transactions" in the accompanying Consolidated Statements of Stockholders' Equity.

The above gains on stock issuances by Lycos and effects of subsidiaries' equity transactions are reported net of the interest, if any, attributed to CMG@Ventures I's profit members.

(10) Sale of CMG@Ventures Investments

On September 19, 1996, the Company sold its equity interest in TeleT to Premiere for $550,000 in cash and 320,833 shares of Premiere stock. The Company, through CMG@Ventures I, acquired its 46% equity interest in TeleT for $750,000 during April 1996. As a result of the sale, the Company recognized a pre-tax gain of $3,616,000, reported net of the 22.5% interest attributed to CMG@Ventures I's profit members, reflected as "Gain on sale of investment in TeleT Communications" in the accompanying Consolidated Statements of Operations. Of the Premiere shares received, 37,500 are to be held in escrow for a six-year period, subject to certain customary conditions, and have been classified in other assets with a carrying value of $450,000. The remaining shares received were subject to an average one-year restriction on transferability, and were classified in available-for-sale securities, with a carrying value at the time of acquisition of $4,080,000, net of market value discount to reflect the restriction on transferability.

On December 9, 1996, Microsoft Corporation (Microsoft) entered into a definitive agreement to acquire one of the Company's subsidiaries, NetCarta, for $20,000,000 in cash, subject to certain conditions. On January 31, 1997, the sale of NetCarta was finalized, with the Company receiving proceeds of $18,468,000, net of proceeds to former NetCarta employees who exercised employee stock options. As a result of the sale, the Company recognized a pretax gain of $15,111,000, reported net of the 22.5% interest attributed to CMG@Ventures I's profit members, reflected as "Gain on sale of NetCarta Corporation" in the accompanying Consolidated Statements of Operations.

During fiscal 1998, CMG@Ventures I distributed 3,333,334 of its shares of Lycos common stock to the Company, and 593,164 shares to CMG@Ventures I's profit members. The Company sold 1,955,015 of its Lycos shares during fiscal 1998, including 1,705,015 sold on the open market throughout the year and 250,000 shares sold as part of Lycos' secondary public offering in June, 1998. The Company received net proceeds of $108,876,000 from its sales of Lycos shares in fiscal 1998 and recorded pre-tax gains on the sales totaling $97,158,000. The gains on the Company's sales of Lycos shares are reported net of the associated interest attributed to CMG@Ventures I's profit members.

(11) Accrued Expenses

Accrued expenses consist of the following:

	July 31, 1998	1997
Accrued compensation and benefits	$ 3,548,000	$ 2,455,000
Accrued professional services	3,219,000	2,121,000
Accrued customer deposits	2,084,000	2,204,000
Accrued list owners' commissions	1,281,000	1,342,000
Accrued promotional expenses	87,000	4,178,000
Other	10,315,000	6,041,000

$20,534,000	$18,341,000

(12) Borrowing Arrangements

Notes payable at July 31, 1998 consisted of $20 million in collateralized corporate borrowings, $6.2 million owed by SalesLink under its revolving line of credit facility and $1.5 million owed by other subsidiaries of the Company under line of credit facilities. Notes payable at July 31, 1997 consisted of $10 million in collateralized corporate borrowings, $10 million borrowed under the Company's corporate line of credit, and $2,494,000 owed by SalesLink under its line of credit.

The Company's collateralized corporate borrowings were secured by 1,255,789 and 784,314 of the Company's shares of Lycos stock at July 31, 1998 and 1997, respectively. Under this agreement, the Company could become subject to additional collateral requirements under certain circumstances. The $10 million in borrowings outstanding at July 31, 1997 were payable in full in January, 1998. On January 20, 1998, the Company renewed this agreement for an additional term of one year and increased the outstanding principal amount to $20 million. Interest under this facility is payable quarterly at the London Interbank Offered Rate (LIBOR) plus 1.75% (7.44% and 7.52% effective rates at July 31, 1998 and 1997, respectively). The Company has entered into an interest rate swap agreement with the lender that effectively fixed the interest rate on this $20 million debt at a rate of 7.40% beginning April 20, 1998 through January 20, 1999. During fiscal 1997, the Company had entered into an interest rate swap agreement with the lender that had effectively fixed the interest rate on the $10 million principal at 7.52% through January 17, 1998.

SalesLink's borrowings were made under a revolving credit agreement with a bank. The revolving credit agreement provided for the option of interest at LIBOR or the higher of 1) the rate announced by BankBoston, N.A. as its base rate (Prime), or 2) 0.5% above the Federal Funds Effective Rate plus, in any case, an applicable margin based on SalesLink's leverage ratio (7.65% and 7.66% effective rates at July 31, 1998 and 1997, respectively).

The $10 million balance outstanding at July 31, 1997 under the Company's corporate line of credit agreement with a bank was repaid during fiscal 1998 and there are no outstanding borrowings under this facility as of July 31, 1998.

Long-term debt consists of the following:

	July 31, 1998	July 31, 1997
Term notes payable to a bank issued by SalesLink	$15,500,000	$ 5,500,000
Note payable to former shareholder of InSolutions	1,467,000	--
Notes payable to former members of Servercast issued by NaviSite	1,000,000	--
Note payable to former shareholder of Pacific Link issued by SalesLink	--	7,271,000
	17,967,000	12,771,000
Less: Current portion	16,594,000	3,221,000
	$ 1,373,000	$ 9,550,000

SalesLink's term notes payable to a bank provide for the option of interest at LIBOR or the higher of 1) Prime, or 2) 0.5% above the Federal Funds Effective Rate plus, in any case, an applicable margin based on SalesLink's leverage ratio (7.65% and 7.66% effective rates at July 31, 1998 and 1997, respectively). During fiscal 1998, SalesLink repaid $250,000 of principal under its $5.5 million bank term note and refinanced the remaining portion into an amended term note which included an increased principal amount of $10.25 million. Of the additional principal amounts borrowed, $5 million was used as consideration for the Company's acquisition of InSolutions and $4.9 million was used to prepay the remaining balance on SalesLink's note payable to a former shareholder of Pacific Link. The bank term note outstanding at July 31, 1998 provides for repayment in quarterly installments beginning January 31, 1999 through October 31, 2002, with the remaining balance to be repaid on November 11, 2002.

The Company's note payable to a former shareholder of InSolutions was issued in June, 1998 as consideration for the Company's acquisition of InSolutions. This note bears interest at 5.71% and is repayable in twelve monthly installments beginning November 30, 1998. Additional principal amounts totaling $2.8 million could become due under this note if InSolutions meets certain future performance goals (see note 7). The contingent principal amounts owed, if any, would bear interest at 5.71% and would be payable in twenty-four monthly installments beginning November 30, 1999. The Company's subsidiary, NaviSite, issued $1 million in notes payable to former members of Servercast as consideration for the acquisition of Servercast in July, 1998. These notes bear interest at 5.50% and are repayable on January 2, 2000.

Maturities of long-term debt for the next five fiscal years are as follows: 1999, $16,594,000; 2000, $1,373,000; Thereafter, none.

As of February 24, 1997, the Company had entered into an interest rate swap agreement with the lender providing SalesLink's bank borrowing arrangements. The agreement effectively set a maximum LIBOR interest rate base on debt for a notional principal amount of $8 million at a rate of 8.5% through February 26, 2002. This swap was purchased to provide protection to the Company from exposure to higher interest rates in the future (above 8.5%), and requires additional payments by the Company should LIBOR fall below 5% or should LIBOR be above 6%, but below 8.5%. At July 31, 1998, based on prices quoted from the bank, interest rate hedge agreement values would indicate an obligation of $78,000 to terminate this contract.

The Company's bank borrowing arrangements are subject to normal banking terms and conditions, including financial covenants requiring the Company or SalesLink to maintain certain levels of net worth and income, certain financial position ratios, as well as limitations on indebtedness and capital expenditures. As of July 31, 1998, SalesLink did not comply with certain covenants of their borrowing arrangements. SalesLink is working with the bank to cure the non-compliance, as of July 31, 1998 and prospectively, through waivers or amendments to the covenant terms. SalesLink has not yet received such waivers or amendments

and, accordingly, all of SalesLink's bank borrowings have been classified as current liabilities in the July 31, 1998 Consolidated Balance Sheet. Further, as a result of such non-compliance, beginning August 1, 1998 until the non-compliance is cured, SalesLink's $15.5 million bank term note payable and its outstanding line of credit borrowings are subject to interest at Prime plus 3.5% and 4.5%, respectively.

(13) Commitments

The Company leases facilities and certain other machinery and equipment under various noncancelable operating leases expiring through June 2013. Future minimum lease payments as of July 31, 1998 are as follows:

Year ending July 31:	
1999	$16,752,000
2000	11,969,000
2001	7,454,000
2002	5,037,000
2003	4,107,000
Thereafter	22,841,000
	$68,160,000

Total rent and equipment lease expense charged to continuing operations was $10,745,000, $8,184,000 and $2,112,000 for the years ended July 31, 1998, 1997 and 1996, respectively.

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

(14) Stockholders' Equity

On May 11, 1998, February 2, 1996 and March 17, 1995, the Company effected 2-for-1, 2-for-1 and 3-for-2 common stock splits, respectively, in the form of stock dividends. Accordingly, all data shown in the accompanying consolidated financial statements has been retroactively adjusted to reflect these events.

During the first quarter of fiscal 1997, the Company's Board of Directors authorized the Company to buy back up to 1,000,000 shares of its common stock. During the first and second quarters of fiscal 1997, 200,000 shares were repurchased at an average cost of $4.92 per share, for a total of $984,000. Pursuant to a stock purchase agreement entered into as of December 10, 1996, the Company sold 940,954 shares of its common stock (the "CMG Shares"), including the 200,000 treasury shares acquired in fiscal 1997, to Microsoft on January 31, 1997, representing 4.9% of CMG's total outstanding shares of common stock following the sale. The CMG Shares purchased by Microsoft were priced at $7.25 per share, with proceeds to CMG totaling $6,821,917. The CMG Shares purchased by Microsoft are not registered under the Securities Act of 1933 and carried a one year prohibition on transfer or sale. Under the terms of the agreement and following the one-year period, Microsoft is entitled to two demand registration rights as well as piggy back registration rights. Additionally, Microsoft is subject to "stand still" provisions, whereby it is prohibited for a period of three years, without the consent of CMG, (i) from increasing its ownership in CMG above ten percent of CMG's outstanding shares, (ii) from exercising any control or influence over CMG, and (iii) from entering into any voting agreement with respect to its CMG Shares.

On May 28, 1997, the Company announced a new venture dividend program in connection with the Company's CMG@Ventures Internet investments. Subject to restrictions on transfer, the program envisions that it may distribute up to 10% of the stock held by CMG@Ventures following an initial public offering by any one of the companies in which it holds an investment. The Company may also announce from time to time other stock dividends in connection with its Internet investments. Such dividends are subject to approval of the Company's Board of Directors and subject to holding requirements by regulatory agencies such as the Securities and Exchange Commission. The program may be altered or discontinued at the discretion of the Company. The Company also announced its first dividend under the new program, distributing 603,000 shares of Lycos common stock, with a market value of $11,008,000 at the date of distribution, to the Company's stockholders on July 31, 1997. The distribution resulted in a pre-tax gain of $8,413,000 in fiscal 1997 reflected as "Gain on dividend distribution of Lycos, Inc. common stock" in the accompanying Consolidated Statements of Operations.

Pursuant to a stock purchase agreement entered into as of December 19, 1997, the Company sold 1,006,004 shares of its common stock to Intel Corporation (Intel), representing 4.9% of CMG's total outstanding shares of common stock following the sale. The CMG shares sold to Intel were priced at $10.87 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. 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.

Pursuant to a stock purchase agreement entered into as of February 15, 1998, the Company sold 625,000 shares of its common stock to Sumitomo Corporation ("Sumitomo") on February 27, 1998. The CMG shares sold to Sumitomo were priced at $16.00 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 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.

(15) Stock Option Plans

The Company has two stock option plans currently in effect: the 1986 Stock Option Plan (the "1986 Plan") and the 1995 Stock Option Plan For Non-Employee Directors (the "Directors' Plan"). Options under both plans are granted at fair market value on the date of the grant. Options granted under the 1986 Plan are generally exercisable in equal cumulative installments over a four-to-ten year period beginning one year after the date of

grant. Options under the Directors' Plan become exercisable in five equal annual installments beginning immediately after each Annual Stockholders Meeting following grant. Outstanding options under both Plans at July 31, 1998 expire through 2008.

Under the 1986 Plan, non-qualified stock options or incentive stock options may be granted to the Company's or its subsidiaries' employees, as defined. The Board of Directors administers this plan, selects the individuals to whom options will be granted, and determines the number of shares and exercise price of each option. The Company has reserved 4,500,000 shares of common stock for issuance under the 1986 Plan. The number of shares reserved for issuance pursuant to the 1986 Plan is reduced by the number of shares issued under the Company's 1995 Employee Stock Purchase Plan (see note 16).

Pursuant to the Directors' Plan, 564,000 shares of the Company's common stock were initially reserved. Options for 94,000 shares are to be granted to each Director who is neither an officer or full time employee of the Company, nor an affiliate of an institutional investor which owns shares of common stock of the Company. Options were granted to existing Directors with five years of continuous service at the date the Plan was adopted, and are granted to subsequent Directors at the time of election to the Board.

The status of the plans during the three fiscal years ended July 31, 1998, was as follows:

	1998		1997		1996	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Options outstanding, beginning of year	1,935,380	$ 3.80	2,043,716	$ 3.87	2,406,148	$ 1.64
Granted	881,250	17.35	338,100	7.93	456,912	9.87
Exercised	(476,563)	4.87	(217,254)	4.17	(641,684)	0.39
Canceled	(112,688)	5.82	(229,182)	10.15	(177,660)	1.66
Options outstanding, end of year	2,227,379	$ 8.83	1,935,380	$ 3.80	2,043,716	$ 3.87
Options exercisable, end of year	646,235	$ 2.48	739,772	$ 2.98	285,792	$ 2.48
Options available for grant, end of year	979,522		1,781,280		1,913,236	

The following table summarizes information about the Company's stock options outstanding at July 31, 1998:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number of shares	Weighted average remaining contractual life	Weighted average exercise price	Number of shares	Weighted average exercise price
$ 0.77 - $ 1.83	920,974	3.8 years	$ 1.50	533,259	$ 1.60
$ 3.06 - $ 5.06	137,334	3.7	3.81	51,397	3.49
$ 6.44 - $10.88	875,202	4.6	9.39	49,023	7.10
$12.25 - $17.81	89,119	3.4	14.34	12,556	17.58
$40.00 - $50.88	204,750	9.2	40.34	--	--
$ 0.77 - $50.88	2,227,379	4.6 years	$ 8.83	646,235	$ 2.48

SFAS No. 123, "Accounting for Stock-Based Compensation", sets forth a fair-value based method of recognizing stock-based compensation expense. As permitted by SFAS No. 123, the Company has elected to continue to apply APB No. 25 to account for its stock-based compensation plans. Had compensation cost for awards in fiscal 1998, 1997 and 1996 under the Company's stock-based compensation plans been determined based on the fair value method set forth under SFAS No. 123, the pro forma effect on the Company's net income (loss) and earnings (loss) per share would have been as follows:

	Years Ended July 31,		
	1998	1997	1996
Pro forma net income (loss)	$13,253,000	$(23,907,000)	$13,666,000
Pro forma net income (loss) per share:			
Basic	$ 0.64	$ (1.27)	$ 0.76
Diluted	$ 0.59	$ (1.27)	$ 0.71

The fair value of each stock option grant has been estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for fiscal 1998, 1997 and 1996, respectively: volatility of 90.07%, 66.69% and 80.30%; risk-free interest rate of 5.50%, 6.19% and 5.81%; expected life of options of 4.2, 6.2 and 4.0 years; and 0% dividend yield for all years. The weighted average fair value per share of options granted during fiscal 1998, 1997 and 1996 was $11.71, $10.55 and $10.11, respectively.

The effect of applying SFAS No. 123 as shown in the above pro forma disclosure is not likely to be representative of the pro forma effect on reported income or loss for future years. SFAS No. 123 does not apply to awards made prior to fiscal 1996 and additional awards in future years are anticipated.

(16) Employee Stock Purchase Plan

On October 4, 1994, the Board of Directors of the Company adopted the 1995 Employee Stock Purchase Plan (the Plan). The purpose of the Plan is to provide a method whereby all eligible employees of the Company and its subsidiaries may acquire a proprietary interest in the Company through the purchase of shares of common stock. Under the Plan, employees may purchase the Company's common stock through payroll deductions.

At the beginning of each of the Company's fiscal quarters, commencing with February 1, 1995, employees are granted an option to purchase shares of the Company's common stock at an option price equal to 85% of the fair market value of the Company's common stock on either the first business day or last business day of the applicable quarterly period, whichever is lower.

Employees purchased 33,196, 23,038 and 16,648 shares of common stock of the Company under the Plan during fiscal 1998, 1997 and 1996, respectively.

(17) Income Taxes

The provision (benefit) for income taxes from continuing operations for the years ended July 31, consists of the following:

	Current	Deferred	Total
July 31, 1996:			
Federal	$ 7,758,000	$ 6,448,000	$ 14,206,000
State	632,000	1,835,000	2,467,000
	$ 8,390,000	$ 8,283,000	$ 16,673,000
July 31, 1997:			
Federal	$ (3,114,000)	$ (849,000)	$ (3,963,000)
State	1,023,000	(22,000)	1,001,000
	$ (2,091,000)	$ (871,000)	$ (2,962,000)
July 31, 1998:			
Federal	$19,720,000	$ 3,571,000	$23,291,000
State	10,869,000	(4,373,000)	6,496,000
	$30,589,000	$ (802,000)	$29,787,000

Excluded from the tax provision in fiscal 1998 are deferred tax assets and liabilities of $187,000 (net of valuation allowance of $1,704,000) and $130,000, respectively, which were acquired through the acquisitions of certain subsidiaries during fiscal 1998. Also excluded from the tax provision in fiscal 1998, but included in deferred tax liabilities are $1,297,000 provided for the

effect of subsidiaries' equity transactions. In addition, during fiscal 1998, the Company sold available-for-sale securities for which $593,000 of deferred taxes were provided in fiscal 1997 relating to the unrealized holding gain recorded on these securities at July 31, 1997.

Included in deferred tax assets at July 31, 1998 is approximately $950,000, which has been fully offset by a valuation allowance, related to the acquisition of net operating loss carryforwards of certain subsidiaries acquired during fiscal 1998. If utilized, the tax benefit of the acquired net operating loss carryforwards will result in a reduction of recorded goodwill in lieu of an income tax benefit in the Consolidated Statement of Operations.

Excluded from the tax benefit in fiscal 1997 but included in deferred income tax liabilities and assets are $593,000 provided for unrealized holding gains from the increase in the market value of available-for-sale securities and $260,000 related to deferred tax assets acquired with the acquisition of Pacific Link, respectively. Excluded from the tax provision in fiscal 1996 but included in deferred income tax liabilities are $666,000 provided for the effect of subsidiaries' equity transactions and $78,000 related to the difference in bases of assets acquired.

Deferred income tax assets and liabilities have been classified on the accompanying Consolidated Balance Sheets in accordance with the nature of the item giving rise to the temporary differences. The components of deferred tax assets and liabilities are as follows:

	July 31, 1998			July 31, 1997		
	Current	Non-current	Total	Current	Non-current	Total
Deferred tax assets:						
Accruals and reserves	$ 3,322,000	$ --	$ 3,322,000	$1,630,000	$ --	$ 1,630,000
Tax basis in excess of financial basis of investments in subsidiaries and affiliates	--	9,731,000	9,731,000	--	6,990,000	6,990,000
Tax basis in excess of financial basis of available-for-sale securities	740,000	--	740,000	--	--	--
Net operating loss carryforward of acquired subsidiary	--	957,000	957,000	--	--	--
Other	22,000	1,361,000	1,383,000	--	866,000	866,000
Total gross deferred tax assets	4,084,000	12,049,000	16,133,000	1,630,000	7,856,000	9,486,000
Less valuation allowance	(1,617,000)	(11,253,000)	(12,870,000)	(985,000)	(7,716,000)	(8,701,000)
Net deferred tax assets	2,467,000	796,000	3,263,000	645,000	140,000	785,000
Deferred tax liabilities:						
Financial basis in excess of tax basis of investments in subsidiaries and affiliates	--	(10,889,000)	(10,889,000)	--	(7,994,000)	(7,994,000)
Differences in tax depreciation and amortization	--	(293,000)	(293,000)	--	(570,000)	(570,000)
Financial basis in excess of tax basis of available-for-sale securities	--	--	--	(534,000)	--	(534,000)
Other	(102,000)	(142,000)	(244,000)	--	(57,000)	(57,000)
Total gross deferred tax liabilities	(102,000)	(11,324,000)	(11,426,000)	(534,000)	(8,621,000)	(9,155,000)
Net deferred tax asset (liability)	$ 2,365,000	$(10,528,000)	$ (8,163,000)	$ 111,000	$(8,481,000)	$(8,370,000)

The net change in the total valuation allowance for the year ended July 31, 1998 was an increase of $2,465,000, net of the impact of acquired valuation allowances. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at July 31, 1998.

The following table reconciles the income tax expense (benefit) based on the federal statutory income tax rate to the Company's actual income tax expense (benefit):

	Years Ended July 31,		
	1998	1997	1996
Provision (benefit) for income taxes at federal statutory rate	$16,219,000	$(8,746,000)	$10,848,000
Difference in income tax expense (benefit) resulting from:			
Non-deductible goodwill amortization	715,000	311,000	129,000
Valuation allowance, net of impact of acquisitions	2,465,000	4,903,000	3,798,000
Non-deductible in-process research and development charge related to acquisition of subsidiary	6,304,000	--	--
Utilization of research and development credits	(612,000)	--	--
State income taxes, net of federal benefit	4,223,000	651,000	1,604,000
Other	473,000	(81,000)	294,000
Actual income tax expense (benefit)	$29,787,000	$(2,962,000)	$16,673,000

(18) Selected Quarterly Financial Information (unaudited)

The following table sets forth selected quarterly financial and stock price information for the years ended July 31, 1998 and 1997. The operating results for any given quarter are not necessarily indicative of results for any future period. The Company's common stock is traded on the NASDAQ National Market System ("NASDAQ/NMS") under the symbol CMGI. Included below are the high and low sales prices (adjusted for a 2-for-1 stock split effected on May 11, 1998) during each quarterly period for the shares of common stock as reported by NASDAQ/NMS.

(in thousands, except per share data)

	Fiscal 1998 Quarter ended			
	Oct. 31	Jan. 31	Apr. 30	Jul. 31
Net revenues	$ 25,135	$ 17,818	$ 20,428	$ 28,103
Cost of revenues	15,259	15,692	18,704	29,176
Research and development expenses	6,174	4,639	3,968	4,928
In-process research and development expenses	--	875	18,060	200
Selling, general and administrative expenses	15,941	10,076	12,103	14,700
Operating loss	(12,239)	(13,464)	(32,407)	(20,901)
Interest income (expense), net	73	(420)	(202)	(321)
Gain on sale of data warehouse product rights	8,437	--	--	--
Gain on sale of Lycos, Inc. common stock	6,324	10,764	26,092	53,978
Gain on issuance of stock by Lycos, Inc.	(94)	8	4,082	24,305
Gain on sale of available-for-sale securities	4,174	--	--	--
Gain on sale of investment in TeleT	--	--	--	--
Gain on sale of NetCarta Corporation	--	--	--	--
Gain on distribution of Lycos, Inc. common stock	--	--	--	--
Equity in losses of affiliates	(1,529)	(2,987)	(3,908)	(3,397)
Minority interest	(28)	--	--	--
Income tax benefit (expense)	(2,433)	265	(5,351)	(22,268)
Net income (loss)	$ 2,685	$ (5,834)	$(11,694)	$ 31,396
Market Price				
High	$ 14.25	$ 18.50	$ 53.75	$ 91.75
Low	$ 7.38	$ 9.56	$ 18.28	$ 33.25

	Fiscal 1997 Quarter ended			
	Oct. 31	Jan. 31	Apr. 30	Jul. 31
Net revenues	$ 10,640	$ 18,897	$ 19,010	$ 22,060
Cost of revenues	5,366	11,286	11,551	13,949
Research and development expenses	4,965	6,732	6,466	6,895
In-process research and development expenses	1,312	--	--	--
Selling, general and administrative expenses	13,446	13,688	12,749	15,311
Operating loss	(14,449)	(12,809)	(11,756)	(14,095)
Interest income (expense), net	924	260	328	237
Gain on sale of data warehouse product rights	--	--	--	--
Gain on sale of Lycos, Inc. common stock	--	--	--	--
Gain on issuance of stock by Lycos, Inc.	--	--	--	--
Gain on sale of available-for-sale securities	--	--	--	--
Gain on sale of investment in TeleT	3,616	--	--	--
Gain on sale of NetCarta Corporation	--	15,111	--	--
Gain on distribution of Lycos, Inc. common stock	--	--	--	8,413
Equity in losses of affiliates	(1,008)	(1,081)	(1,924)	(1,543)
Minority interest	2,422	1,025	492	848
Income tax benefit (expense)	1,098	(1,840)	2,584	1,120
Net income (loss)	$ (7,397)	$ 666	$(10,276)	$ (5,020)
Market Price				
High	$ 9.13	$ 10.19	$ 8.81	$ 9.31
Low	$ 4.56	$ 4.78	$ 5.50	$ 6.19

(19) Subsequent Events

In August, 1998, CMG@Ventures II's holdings in Sage Enterprises were converted into 225,558 shares of restricted Amazon.com, Inc. common stock as part of a merger wherein Amazon.com, Inc. acquired Sage Enterprises. CMG@Ventures II had invested $4.5 million in Sage Enterprises beginning in June, 1997. The Company expects to record a gain on the conversion of its investment in Sage Enterprises during its fiscal quarter ended October 31, 1998. Such gain will be recorded net of the 20% interest attributable to CMG@Ventures II's profit members.

In August, 1998, the Company's affiliate, GeoCities, completed its initial public offering of common stock, issuing approximately 5 million shares at a price of $17.00 per share. The Company, through its subsidiaries, CMG@Ventures I and II, has invested a total of $5.9 million in GeoCities beginning in January,

1996. CMG@Ventures I and II own a combined 8.8 million shares of GeoCities common stock and options to purchase an additional 1 million shares at a price of $0.89 per share. The Company expects to record a gain on the issuance of stock by GeoCities during its fiscal quarter ended October 31, 1998, representing the increase in the book value of the Company's net equity in GeoCities as a result of the initial public offering. The gain will be recorded net of the interests attributable to CMG@Ventures I's and II's profit members.

In October, 1998, CMG@Ventures II's holdings in Reel.com were converted into 1,943,783 restricted common and 485,946 restricted, convertible preferred shares of Hollywood Entertainment Corporation (Hollywood Entertainment) as part of a merger wherein Hollywood Entertainment acquired Reel.com. The preferred shares are convertible into common shares on a 1-for-1 basis, subject to approval by Hollywood Entertainment shareholders. CMG@Ventures II had invested $6.9 million in Reel.com beginning in July, 1997. The Company expects to record a gain on the conversion of its investment in Reel.com during its fiscal quarter ended October 31, 1998. The gain will be reported net of the 20% interest attributable to CMG@Ventures II's profit members.

Also in October, 1998, in a separate transaction, the Company purchased 1,524,644 restricted common and 803,290 restricted, convertible preferred shares of Hollywood Entertainment for a total purchase price of $31.1 million. The preferred shares are convertible into common shares on a 1-for-1 basis, subject to approval by Hollywood Entertainment shareholders.

The Company recently formed its third venture capital fund, CMG@Ventures III, LLC (CMG@Ventures III), and has begun raising capital from outside investors for a corresponding outside investment fund, @Ventures III, L.P. The Company owns 100% of the capital and is entitled to 80% of the net capital gains of CMG@Ventures III, and will be entitled to 2% of the net capital gains of @Ventures III, L.P. These two funds will co-invest in all investment candidates based on a predetermined ratio. CMG has committed to funding CMG@Ventures III up to the greater of $30 million or 19.9% of amounts committed to @Ventures III, L.P.

Independent Auditors' Report

The Board of Directors and Stockholders
CMG Information Services, Inc.:

We have audited the accompanying Consolidated Balance Sheets of CMG Information Services, Inc. and subsidiaries as of July 31, 1998 and 1997, and the related Consolidated Statements of Operations, Stockholders' Equity, and Cash Flows for each of the years in the three-year period ended July 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the consolidated financial position of CMG Information Services, Inc. and subsidiaries as of July 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended July 31, 1998, in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

KPMG PEAT MARWICK LLP

Boston, Massachusetts
September 22, 1998, except for Note 19 which is as of October 27, 1998.

EXHIBIT 21

CMG INFORMATION SERVICES, INC.
Subsidiaries of the Registrant

1. CMG @Ventures, Inc., a Delaware corporation.

2. CMG Securities Corporation, a Massachusetts corporation.

3. CMG @Ventures Capital Corporation, a Delaware corporation.

4. CMG @Ventures I, L.L.C., a Delaware limited liability company (formerly CMG @Ventures, L.P.)

5. CMG @Ventures II, L.L.C., a Delaware limited liability company.

6. CMG Direct Corporation, a Delaware corporation.

7. SalesLink Corporation, a Massachusetts corporation.

8. Pacific Direct Marketing Corporation, a California corporation.

9. InSolutions Inc., a Delaware corporation.

10. On-Demand Solutions, Inc., a Massachusetts corporation.

11. Engage Technologies, Inc., a Delaware corporation.

12. Accipiter, Inc., a Delaware corporation.

13. Blaxxun Interactive, Inc., a Delaware corporation.

14. Planet Direct Corporation, a Delaware corporation.

15. ADSmart Corporation, a Delaware corporation.

16. InfoMation Publishing Corporation, a Delaware corporation.

17. NaviSite Internet Services Corporation, a Delaware corporation.

18. Servercast Communications, L.L.C., a Delaware limited liability company.

19. Password Internet Publishing Corporation, a Delaware corporation.

20. Vicinity Corporation, a California corporation.

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
CMG Information Services, Inc.:

We consent to the incorporation by reference in the registration statements of CMG Information Services, Inc. on Form S-8 (File No. 33-86742 and File No. 33-06745) and on Form S-3 (File No. 333-62391) of our reports dated September 22, 1998, except for Note 19 which is as of October 27, 1998, relating to the Consolidated Balance Sheets of CMG Information Services, Inc. and subsidiaries as of July 31, 1998 and 1997, and the related Consolidated Statements of Operations, Stockholders' Equity and Cash Flows and related schedule for each of the years of the three-year period ended July 31, 1998, which reports appear in the July 31, 1998 annual report on Form 10-K of CMG Information Services, Inc.

/s/ KPMG Peat Marwick LLP

KPMG PEAT MARWICK LLP

Boston, Massachusetts
October 29, 1998

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Lycos, Inc.:

We consent to the incorporation by reference on Form 10-K of CMG Information Services, Inc. of our report dated August 18, 1998, with respect to the consolidated balance sheets of Lycos, Inc. as of July 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended July 31, 1998, which report appears in the July 31, 1998 annual report on Form 10-K of Lycos, Inc.

/s/ KPMG Peat Marwick LLP

KPMG PEAT MARWICK LLP

Boston, Massachusetts
October 29, 1998

5

THIS RESTATED SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS IN THE ANNUAL REPORT ON FORM 10-K OF CMG INFORMATION SERVICES, INC. FOR THE PERIOD ENDED JULY 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS
JUL-31-1997
AUG-01-1996
JUL-31-1997
59,762
5,945
28,935
1,083
3,077
106,691
20,091
8,947
148,354
68,137
0
0
0
193
29,255
148,354
70,607
70,607
42,152
42,152
81,564
0
(1,749)
(24,989)
(2,962)
(22,027)
0
0
0
(22,027)
(1.17)
(1.17)

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

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS IN THE ANNUAL REPORT ON FORM 10-K OF CMG INFORMATION SERVICES, INC. FOR THE PERIOD ENDED JULY 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS
JUL-31-1998
AUG-01-1997
JUL-31-1998
61,537
5,764
23,960
1,055
8,250
105,085
24,397
10,424
237,460
92,301
0
0
0
0
230
117,555
237,460
91,484
91,484
78,831
78,831
91,664
0
870
46,340
29,787
16,553
0
0
0
16,553
0.79
0.74

Exhibit 99.1

Lycos, Inc.

Item 1 Consolidated Financial Statements:

PART II. FINANCIAL STATEMENT SCHEDULES

All schedules have been omitted since they are either not applicable, not required, or the information is included elsewhere herein.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Lycos, Inc.:

We have audited the accompanying consolidated balance sheets of Lycos, Inc. as of July 31, 1998 and 1997 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three year period ended July 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lycos, Inc. at July 31, 1998 and 1997, and the results of its operations and cash flows for each of the years in the three year period ended July 31, 1998, in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

Boston, Massachusetts
August 18, 1998

LYCOS, INC.

CONSOLIDATED BALANCE SHEETS

	JULY 31, 1998	JULY 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 153,728,200	$ 40,766,258
Accounts receivable, less allowance for doubtful accounts of $1,208,000 and $554,000 at July 31, 1998 and 1997, respectively	10,958,470	6,634,262
Electronic commerce and license fees receivable	30,223,986	9,065,806
Prepaid expenses	5,559,842	4,278,418
Other current assets	326,292	--
Total current assets	200,796,790	60,744,744
Property and equipment, less accumulated depreciation and amortization	3,960,059	2,397,600
Electronic commerce and license fees receivable	21,537,371	650,000
Investments	8,874,568	--
Intangible assets, less accumulated amortization	10,310,475	1,243,050
Other assets	3,278,994	383,615
Total assets	$ 248,758,257	$ 65,419,009
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,873,302	$ 3,289,513
Accrued expenses	17,589,700	7,387,707
Deferred revenues	30,730,390	9,541,566
Billings in excess of revenues	681,849	2,387,424
Due to related parties	--	9,105
Total current liabilities	53,875,241	22,615,315
Deferred revenues	26,159,754	5,100,000
Deferred income taxes	36,667	56,667
	26,196,421	5,156,667
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; 5,000,000 shares authorized, none issued or outstanding	--	--
Common stock, $.01 par value; 80,000,000 shares authorized, 38,991,436 shares at July 31, 1998 and 27,593,240 at July 31, 1997 issued and outstanding	389,916	275,932
Additional paid-in capital	278,126,582	49,368,940
Deferred compensation	(116,338)	(185,436)
Accumulated deficit	(108,728,972)	(11,812,409)
Treasury stock, at cost, 708,674 shares at July 31, 1998	(984,593)	--
Total stockholders' equity	168,686,595	37,647,027
Total liabilities and stockholders' equity	$ 248,758,257	$ 65,419,009

See accompanying notes to consolidated financial statements.

LYCOS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED		
	JULY 31, 1998	JULY 31, 1997	JULY 31, 1996
Revenues:			
Advertising	$ 41,768,607	$ 17,417,388	$ 4,478,474
Electronic commerce, license and other	14,291,698	4,855,654	778,753
Total revenues	56,060,305	22,273,042	5,257,227
Cost of revenues	12,513,259	4,335,941	2,900,808
Gross profit	43,547,046	17,937,101	2,356,419
Operating expenses:			
Research and development	9,477,708	4,301,267	906,591
In process research and development	91,239,055	--	452,000
Sales and marketing	35,035,754	19,126,317	4,747,805
General and administrative	5,631,104	2,718,763	1,692,362
Amortization of intangible assets	2,131,735	540,416	359,868
Total operating expenses	143,515,356	26,686,763	8,158,626
Operating loss	(99,968,310)	(8,749,662)	(5,802,207)
Interest income	3,051,747	2,130,472	714,369
Net loss	$ (96,916,563)	$ (6,619,190)	$ (5,087,838)
Basic net loss per share	$ (3.13)	$ (0.24)	$ (0.21)
Shares used in computing basic net loss per share	30,932,982	27,589,486	23,984,830

See accompanying notes to consolidated financial statements.

LYCOS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	DEFERRED COMPENSATION	ACCUMULATED DEFICIT	TREASURY STOCK SHARES	TREASURY STOCK AMOUNT	TOTAL
Balances at July 31, 1995...	20,000,000	$ 200,000	$ 1,137,000	$ (87,000)	$ (105,381)	--	--	$ 1,144,619
Capital contribution.....	--	--	1,000,000	--	--	--	--	1,000,000
Capital contribution related to License Agreement.....	--	--	250,000	--	--	--	--	250,000
Issuance of common stock in connection with acquisitions.....	1,052,632	10,526	531,474	--	--	--	--	542,000
Issuance of common stock pursuant to certain preemptive rights.....	263,160	2,632	326,318	--	--	--	--	328,950
Issuance of common stock in connection with Initial Public Offering, net of offering costs.....	6,270,000	62,700	45,631,382	--	--	--	--	45,694,082
Deferred compensation related to grant of stock options.....	--	--	523,505	(523,505)	--	--	--	--
Amortization of deferred compensation.....	--	--	--	234,344	--	--	--	234,344
Net loss.....	--	--	--	--	(5,087,838)	--	--	(5,087,838)
Balances at July 31, 1996...	27,585,792	$ 275,858	$ 49,399,679	$(376,161)	$ (5,193,219)	--	--	$ 44,106,157
Issuance of common stock in connection with Employee Stock Purchase Plan.....	7,448	74	18,328	--	--	--	--	18,402
Cancellation of options.....	--	--	(49,067)	49,067	--	--	--	--
Amortization of deferred compensation.....	--	--	--	141,658	--	--	--	141,658
Net loss.....	--	--	--	--	(6,619,190)	--	--	(6,619,190)
Balances at July 31, 1997...	27,593,240	$ 275,932	$ 49,368,940	$(185,436)	$ (11,812,409)	--	--	$ 37,647,027
Issuance of common stock in connection with Employee Stock Purchase Plan.....	8,588	86	65,956	--	--	--	--	66,042
Cancellation of options.....	--	--	(22,562)	22,562	--	--	--	--
Issuance of common stock in connection with exercise of stock options..	2,047,020	20,470	3,221,724	--	--	61,556	(307)	3,241,887
Treasury stock in connection with exercise of stock options.....	--	--	--	--	--	608,184	(467,589)	(467,589)
Issuance of common stock in connection with exercise of warrants.....	207,228	2,072	1,361,516	--	--	18,836	(113,581)	1,250,007
Issuance of common stock in connection with strategic investments, net of offering costs.....	301,028	3,012	7,879,431	--	--	--	--	7,882,443
Issuance of common stock and warrants in connection with acquisitions.....	4,149,142	41,492	104,807,563	--	--	20,098	(403,116)	104,445,939
Issuance of common stock in connection with Secondary Public Offering, net of offering costs.....	4,675,000	46,750	111,144,116	--	--	--	--	111,190,866
Issuance of common stock in connection with services rendered.....	10,190	102	299,898	--	--	--	--	300,000
Amortization of deferred compensation.....	--	--	--	46,536	--	--	--	46,536
Net loss.....	--	--	--	--	(96,916,563)	--	--	(96,916,563)
Balances at July 31, 1998...	38,991,436	$ 389,916	$ 278,126,582	$(116,338)	$(108,728,972)	708,674	$(984,593)	$ 168,686,495

preemptive rights.....	328,950
Issuance of common stock in connection with Initial Public Offering, net of offering costs.....	45,694,082
Deferred compensation related to grant of stock options.....	--
Amortization of deferred compensation.....	234,344
Net loss.....	(5,087,838)
Balances at July 31, 1996..	$ 44,106,157
Issuance of common stock in connection with Employee Stock Purchase Plan.....	18,402
Cancellation of options.....	--
Amortization of deferred compensation.....	141,658
Net loss.....	(6,619,190)
Balances at July 31, 1997...	$ 37,647,027
Issuance of common stock in connection with Employee Stock Purchase Plan.....	66,042
Cancellation of options.....	--
Issuance of common stock in connection with exercise of stock options..	3,241,887
Treasury stock in connection with exercise of stock options.....	(467,589)
Issuance of common stock in connection with exercise of warrants.....	1,250,007
Issuance of common stock in connection with strategic investments, net of offering costs.....	7,882,443
Issuance of common stock and warrants in connection with acquisitions.....	104,445,939
Issuance of common stock in connection with Secondary Public Offering, net of offering costs.....	111,190,866
Issuance of common stock in connection with services rendered.....	300,000
Amortization of deferred compensation.....	46,536
Net loss.....	(96,916,563)
Balances at July 31, 1998...	$168,686,595

See accompanying notes to consolidated financial statements.

LYCOS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED		
	July 31, 1998	July 31, 1997	July 31, 1996
OPERATING ACTIVITIES			
Net loss	$(96,916,563)	$(6,619,190)	$(5,087,838)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of deferred compensation	46,536	141,658	234,344
Depreciation and amortization	3,656,867	1,269,064	642,218
Allowance for doubtful accounts	654,000	405,000	200,000
In process research and development expense	91,239,055	--	452,000
Issuance of common stock for services rendered	300,000	--	--
Changes in operating assets and liabilities:			
Accounts receivable	(4,768,973)	(3,745,337)	(3,454,950)
Electronic commerce and license fees receivable	(42,045,551)	(7,731,585)	(1,984,221)
Prepaid expenses	(1,258,140)	(3,296,707)	(981,711)
Other current assets	(326,292)	--	--
Other assets	(2,895,379)	(216,000)	(167,615)
Accounts payable	774,033	547,634	2,600,071
Accrued expenses	8,343,512	5,641,289	1,735,693
Deferred revenues	42,155,798	11,493,144	3,125,285
Billings in excess of revenues	(1,705,575)	984,992	1,402,432
Due to related parties	(9,105)	(428,162)	295,660
Deferred income taxes	(20,000)	(21,333)	28,000
Net cash used in operating activities	(2,775,777)	(1,575,533)	(960,632)
INVESTING ACTIVITIES			
Purchase of property and equipment	(1,091,988)	(1,818,798)	(1,632,079)
Payments under License Agreement	--	--	(750,000)
Cash acquired through acquisitions, net	2,540,619	--	17,137
Investment in Joint Venture	(992,125)	--	--
Net cash provided by (used in) investing activities	456,506	(1,818,798)	(2,364,942)
FINANCING ACTIVITIES			
Proceeds from issuance of common stock, net of offering costs	111,190,866	18,402	46,021,314
Proceeds from exercise of stock options	3,241,887	--	--
Proceeds from issuance of common stock under Employee Stock Purchase Plan	66,042	--	--
Proceeds from exercise of warrants	1,250,007	--	--
Proceeds from capital contribution	--	--	1,000,000
Cash used to repurchase treasury stock	(467,589)	--	--
Net cash provided by financing activities	115,281,213	18,402	47,021,314
Net increase (decrease) in cash and cash equivalents	112,961,942	(3,375,929)	43,695,740
Cash and cash equivalents at beginning of year	40,766,258	44,142,187	446,447
Cash and cash equivalents at end of year	$153,728,200	$40,766,258	$44,142,187

LYCOS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS--(CONTINUED)

	YEAR ENDED		
	JULY 31, 1998	JULY 31, 1997	JULY 31, 1996
Schedule of non-cash financing and investing activities:			
Issuance of common stock for License Agreement	$ --	$ --	$300,000
Recognition of deferred tax liability related to License Agreement	--	--	50,000
Assets and liabilities recognized upon acquisition of Point Communications	--	--	--
Accounts receivable	--	--	33,975
Property and equipment	--	--	47,496
Goodwill	--	--	186,633
Accounts payable	--	--	97,734
Deferred revenues	--	--	23,137
Accrued expenses	--	--	4,370
Due to related parties	--	--	70,000
Issuance of common stock upon acquisition of Tripod, Inc., WiseWire, Corp., and GuestWorld, Inc	$104,445,939	--	--
Assets and liabilities recognized upon acquisition of Tripod, Inc., WiseWire Corp., and GuestWorld, Inc.		--	--
Accounts receivable	209,235	--	--
Prepaid expenses	23,284	--	--
Property and equipment	1,995,601	--	--
Developed technology	8,651,195	--	--
Goodwill and other intangible assets	2,547,965	--	--
Accounts payable	809,756	--	--
Accrued expenses	1,858,481	--	--
Deferred revenues	92,780	--	--
Issuance of common stock in connection with strategic investments	7,882,443	--	--

See accompanying notes to consolidated financial statements.

LYCOS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Lycos, Inc. ("Lycos" or the "Company"), which operates in one industry segment, provides guides for finding information on the Internet's World Wide Web. The Company was formed in June 1995 by CMG@Ventures, L.P. ("CMG@Ventures") to license on an exclusive basis (with certain limited exceptions) from Carnegie Mellon University ("CMU" or the "Licensor") the Lycos Internet search and indexing technology.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, from their respective dates of acquisition. All significant intercompany balances and transactions have been eliminated.

Joint Ventures

On May 1, 1997, the Company entered into a joint venture agreement with Bertelsmann Internet Services to create localized versions of the Lycos search and navigation service throughout Europe. The new company, named Lycos Bertelsmann GmbH & Co. KG ("Lycos Bertelsmann"), is owned 50% by Lycos and 50% by Bertelsmann. Bertelsmann Internet Services, a subsidiary of Bertelsmann AG, has committed to provide capital, infrastructure and employees for the venture while Lycos will provide the core technology and brand name. The carrying value of the Company's investment in Lycos Bertelsmann was not material at July 31, 1998 or 1997. The investment is accounted for under the equity method and accordingly, the Company will recognize 50% of the net profits of Lycos Bertelsmann when realized.

On April 13, 1998, the Company entered into a joint venture with Sumitomo Corporation, a $100 billion dollar company and one of Japan's largest trading companies, and Internet Initiative Japan (IIJ), the country's largest Internet Service Provider to create a localized version of the lycos.com Web Site to be called Lycos Japan which will feature navigation and search capability, and will soon include news, sports, stocks and other services. Terms of the deal include a 40% ownership stake by Lycos in exchange for approximately $992,000, with Sumitomo Corporation owning 50% of the venture and IIJ maintaining a 10% stake in the entity. Sumitomo Corporation and Lycos will manage the daily operations of the site, including aggregation of local content, sales, marketing and administration from the operations' headquarters in Tokyo, Japan. For the year ending July 31, 1998, Lycos' share of operating costs was not material.

Investments

During 1998 the Company obtained equity interests in two privately held, internet related companies through the issuance of the Company's common stock (see Note 2). Both investments resulted in the Company owning less than 20% of the respective investees. Accordingly, these investments are accounted for under the cost method. The Company purchased these investments in March and April, 1998, and their carrying values approximate fair values. For these non-quoted investments, the Company regularly reviews the assumptions underlying the operating performance and cash flow forecasts in assessing the carrying values.

Public Offerings

On April 2, 1996, the Company completed an initial public offering of its common stock in which 6,000,000 shares of common stock were issued at a price of $8.00 per share. On April 12, 1996, pursuant to the exercise of an over-allotment option granted to the underwriters of the Company's initial public offering, the Company issued an additional 270,000 shares of its common stock at a price of $8.00 per share.

On June 4, 1998, the Company completed a secondary offering of its common stock in which 4,000,000 shares of common stock were issued at a price of $23.82 per share net of underwriting discounts and commissions. On June 10, 1998, pursuant to the exercise of an over-allotment option granted to the the underwriters of the Company's secondary offering, the Company issued an additional 675,000 shares of its common stock at a price of $25.00 per share.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original or remaining maturities of three months or less to be cash equivalents. At July 31, 1998 and 1997, the Company had no investments with maturities greater than three months.

Electronic Commerce and License Fees Receivable

Electronic commerce and license fees receivable are comprised of fees to be received in the future on electronic commerce and licensing agreements existing at the balance sheet date.

Other assets

Other assets comprise primarily purchased hardware to be sold to joint venture partners. Purchased hardware will be sold at cost upon completion.

Property and Equipment

Property and equipment are stated at cost, net of accumulated amortization and depreciation. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets (three to five years). Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful life of the asset or the lease term.

Intangible Assets

Intangible assets primarily relate to the Company's acquisitions and include developed technology, licensed technology, trademarks, trade names, content copyrights, customer base and goodwill. In connection with acquisitions accounted for under the purchase method of accounting (see Note 4), the Company recorded these intangible assets based on the excess of the purchase price over the identifiable tangible net assets of the acquiree on the date of purchase. Intangible assets are reported at cost, net of accumulated amortization, and are being amortized over their estimated useful life of five years.

Accounting for Impairment of Long-Lived Assets

In accordance with Financial Accounting Standards Board Statement No. 121, the Company records impairment losses on long-lived assets to be held and used or to be disposed of when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset carrying amount.

Deferred Revenues

Deferred revenues are comprised of license and electronic commerce fees to be earned in the future on noncancelable agreements existing at the balance sheet date.

Income Taxes

The Company records income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and the tax effect of net operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Revenue Recognition

The Company's advertising revenues are derived principally from short-term advertising contracts in which the Company guarantees a number of impressions for a fixed fee or on a per impression basis with an established minimum fee. Revenues from advertising are recognized as the services are performed.

Electronic commerce revenues are derived principally from "slotting fees" paid for selective positioning and promotion within the Company's suite of products as well as from royalties from the sale of goods and services from the Company's websites. The Company's license and product revenues are derived principally from product licensing fees and fees from maintenance and support of its products. Eletronic commerce, license and product revenues are generally recognized upon delivery provided that no significant Company obligations remain and collection of the receivable is probable. In cases where there are significant remaining obligations, the Company defers such revenue until those obligations are satisfied. Fees from maintenance and support of the Company's products including revenues bundled with the initial licensing fees are deferred and recognized ratably over the service period.

Cost of Revenues

Cost of revenues specifically attributable to advertising and electronic commerce, license and product revenues are not separately identifiable and therefore are not separately disclosed in the consolidated statements of operations.

Research and Development Costs

Research and development expenditures are expensed as incurred. Software development costs are required to be capitalized when a product's technological feasibility has been established either by completion of a detail program design or a working model of the product and ending when a product is available for general release to consumers. To date, attainment of technological feasibility of the Company's products and general release to customers have substantially coincided. As a result, the Company has not capitalized any software development costs since such costs have not been significant.

Advertising Costs

The Company expenses advertising production costs as incurred. Advertising expense was approximately $5,675,000, $4,427,000 and $567,000 for the years ended July 31, 1998, 1997 and 1996, respectively.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123 ("SFAS 123") requires that companies either recognize compensation expense for grants of stock, stock options, and other equity instruments based on fair value, or provide pro forma disclosure of net income (loss) and earnings (loss) per share in the notes to the financial statements. The Company applies APB Opinion 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized under SFAS 123 for the Company's stock option plans, and footnote disclosure is provided in Note 8.

Concentration of Credit Risk

The Company performs ongoing credit evaluations of its customers' financial conditions and generally does not require collateral on accounts receivable. The Company maintains allowances for credit losses and such losses have been within management's expectations. Direct write-offs of accounts receivable were $333,000 for the year ended July 31, 1998 and $51,000 for the year ended July 31, 1997. There were no direct write-offs of accounts receivable for the year ended July 31, 1996. No single customer accounted for greater than 10% of total revenues during the years ended July 31, 1998, 1997 and 1996.

The Company's services are provided to customers in several industries primarily in North America. Sales to foreign customers for the years ended July 31, 1998, 1997 and 1996 were approximately $2,640,000, $1,700,000 and $385,000, respectively.

Financial Instruments

The recorded amounts of financial instruments, including cash equivalents, receivables, accounts payable, accrued expenses and deferred revenues, approximate their fair market values as of July 31, 1998. The Company has no investments in derivative financial instruments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Per Share Amounts

For the year ended July 31, 1998, the Company adopted the provisions of Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share." SFAS 128 requires the presentation of basic loss per share and diluted loss per share for all periods presented. As the Company has been in a net loss position for the years ended July 31, 1998, 1997 and 1996, common stock equivalents were excluded from the diluted loss per share calculation as they would be antidilutive. As a result, diluted loss per share is the same as basic loss per share, and has not been presented separately.

Stock Split

In July 1998, the Company's Board of Directors approved a two-for-one common stock split. Shareholders of record on August 14, 1998 (the record date) were entitled to one additional share for every share held on August 25, 1998. The Company has presented loss per share and weighted average shares in the consolidated statement of operations for all periods presented and all footnote disclosures reflecting the effect of the stock split.

Treasury Stock

In connection with a license agreement with Carnegie Mellon University, CMG@Ventures, Inc. has agreed to sell to the Company the number of shares of common stock equal to the shares issuable upon exercise of certain options granted, as defined, at a price equal to the exercise price of the underlying options exercised (see Note 8). Under this agreement, the Company issues shares of Company stock to employees upon exercise of options and subsequently buys an equivalent number of Company shares at the respective exercise price from CMG@Ventures, resulting in treasury stock.

Reclassifications

Certain prior years' balances have been reclassified to conform with the current year's presentation.

New Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board issued Statement No. 130 ("SFAS 130") "Reporting Comprehensive Income". This statement establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. This statement is effective for fiscal years beginning after December 15, 1997. Reclassification of financial statements for earlier periods provided for comparative purposes is required. The Company expects to adopt SFAS 130 for the year ending July 31, 1999. The Company believes that this pronouncement will not have a material adverse affect on its results of operations.

In June 1997, the Financial Accounting Standards Board issued Statement No. 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information". This statement establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. This statement is effective for financial statements for periods beginning after December 15, 1997. The Company expects to adopt SFAS 131 for the year ending July 31, 1999. Because the Company operates within a single operating segment, adoption of this statement is currently not expected to have a material impact on the Company's consolidated financial statements and footnote disclosures.

In October 1997, the American Institute of Certified Public Accountants issued Statement of Position 97-2 ("SOP 97-2"), "Software Revenue Recognition", which provides guidance on applying generally accepted accounting principles in recognizing revenue on software transactions and supersedes SOP 91-1, "Software Revenue Recognition". The Company expects to adopt SOP 97-2 for its fiscal year ending July 31, 1999 and does not anticipate any material impact on its revenue recognition policies.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1("SOP 98-1"), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", which establishes guidelines for the accounting for the costs of all computer software developed or obtained for internal use. The Company is required to adopt SOP 98-1 effective August 1, 1999. The adoption of SOP 98-1 is not expected to have a material impact on the Company's consolidated financial statements.

In April, 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-Up Activities." The statement is effective for fiscal years beginning after December 15, 1998. The statement requires costs of start-up activities and organization costs to be expensed as incurred. The Company is required to adopt SOP 98-5 effective August 1, 1999. The adoption of SOP 98-5 is not expected to have a material impact on the Company's consolidated financial statements.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities", which requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. For fair-value hedge transactions in which the Company is hedging changes in an asset's, liability's or firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset in the income statement by changes in the hedged item's fair value. For cash flow hedge transactions, changes in the fair value of the derivative instrument will be reported in comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current period earnings. The Company currently expects to adopt SFAS 133 for the year ending July 31, 1999. Management has determined there will be no impact on its results of operations or financial position resulting from the adoption of SFAS 133 because the Company currently does not hold derivative instruments.

2. INVESTMENTS

On March 9, 1998, the Company purchased 1,000,000 shares of Class A Preferred Stock of GlobeComm, Inc. ("GlobeComm") through the issuance of 200,124 shares of Lycos common stock, valued at $4,577,837. The investment, carried at cost, represents an approximate 9.85% stake in GlobeComm on a fully diluted basis. GlobeComm is the owner of iName, a leading provider of lifetime personalized e-mail addresses and advanced e-mail services. Lycos provides free e-mail services to users based on iName's advanced products.

On April 13, 1998, the Company purchased 1,915,709 shares of Series B Convertible Participating Preferred Stock of Sage Enterprises, Inc. ("PlanetAll") through the issuance of 100,904 shares of Lycos common stock, valued at $3,304,606. The investment, carried at cost, represents an approximate 14.1% stake in PlanetAll, on a fully diluted basis.

Subsequent to July 31, 1998, all of the outstanding common stock of PlanetAll was acquired by Amazon.com. See Note 7 "Subsequent Events".

3. PROPERTY AND EQUIPMENT

Property and equipment, at cost, consisted of the following:

	JULY 31,	
	1998	1997
Computers and equipment	$ 3,623,686	$ 2,234,012
Furniture and fixtures	1,091,726	563,756
Leasehold improvements	1,356,222	585,912
Purchased software	525,197	141,096
	6,596,831	3,524,776
Less accumulated depreciation and amortization	(2,636,772)	(1,127,176)
	$ 3,960,059	$ 2,397,600

4. ACQUISITIONS

Tripod, Inc.

On February 11, 1998, the Company entered into an Agreement and Plan of Merger (the "Agreement") by and among the Company, Pod Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of the Company ("PAC"), Tripod, Inc., a Delaware corporation ("Tripod"), William Peabody and Richard Sabot, providing for the merger of PAC with and into Tripod (the "Merger"). On February 12, 1998,the Company completed the closing of the Merger and Tripod became a wholly-owned subsidiary of the Company. In accordance with the terms of the Agreement, Richard Sabot was elected, effective May 1, 1998, to the Company's Board of Directors for a term expiring at the first Annual Meeting of the Company's stockholders held after the Company's fiscal year ending July 31, 2000.

The acquisition was accounted for as a purchase. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. Results of operations for Tripod have been included with those of the Company for periods subsequent to the date of acquisition.

In the Merger, all outstanding shares of Common Stock and Preferred Stock of Tripod and options and warrants to purchase Common Stock and Preferred Stock of Tripod were converted into 3,120,826 shares and options and warrants to purchase Common Stock of the Company. All outstanding options to purchase Common Stock of Tripod have been assumed by the Company and converted into options to purchase Common Stock of the Company, and all outstanding warrants to purchase Preferred Stock of Tripod have been assumed by the Company and converted into warrants to purchase Common Stock of the Company.

Under the terms of the Agreement and related Escrow Agreement dated February 11, 1998, an aggregate of 255,682 shares of Common Stock of the Company and options and warrants to purchase an additional 56,418 shares of Common Stock of the Company will be held in escrow for the purpose of indemnifying the Company against certain liabilities of Tripod and its stockholders. The escrow will expire on February 11, 1999.

The purchase price was allocated as follows:

In process research and development.....	$51,600,000
Developed technology.....	5,407,138
Goodwill and other intangible assets.....	2,412,797
Other assets, principally cash and equipment..	3,633,449
Liabilities assumed	(1,603,731)
	$61,449,653

Accumulated amortization on intangible assets was $627,569 at July 31, 1998.

WiseWire Corporation

On April 30, 1998, the Company entered into an Agreement and Plan of Merger (the "Agreement") by and among the Company, Wise Acquisition Corp., a Pennsylvania corporation and a wholly-owned subsidiary of the Company ("WAC"), and WiseWire Corporation, a Pennsylvania corporation ("WiseWire"), pursuant to which WAC was merged with and into WiseWire (the "Merger"). As a result of the Merger, WiseWire became a wholly-owned subsidiary of the Company.

The acquisition was accounted for as a purchase. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. Results of operations for WiseWire are included with those of the Company for periods subsequent to the date of acquisition.

In the Merger, all outstanding shares of Common Stock and Preferred Stock of WiseWire and options to purchase Common Stock of WiseWire were converted into 1,648,510 shares and options to purchase Common Stock of the Company. All outstanding options to purchase Common Stock of WiseWire have been assumed by the Company.

Under the terms of the Agreement and related Escrow Agreement dated April 30, 1998, an aggregate of 164,874 shares of Common Stock of the Company will be held in escrow for the purpose of indemnifying the Company against certain liabilities of WiseWire and its stockholders. The escrow will expire on April 30, 1999.

The purchase price was allocated as follows:

In process research and development.....	$36,000,000
Developed technology.....	3,060,189
Goodwill and other intangible assets.....	127,509
Other assets, principally cash and equipment..	1,085,290
Liabilities assumed	(857,286)
	$39,415,702

Accumulated amortization on intangible assets was $256,330 at July 31, 1998.

GuestWorld, Inc.

On June 16, 1998, the Company entered into an Agreement and Plan of Merger (the "Agreement") by and among the Company, VW Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of the Company ("VW"), GuestWorld, Inc., a California corporation ("GuestWorld"), and all of the stockholders of GuestWorld, acquired all of the outstanding capital stock of GuestWorld through the merger of VW with and into GuestWorld (the "Merger"). As a result of the Merger, GuestWorld became a wholly-owned subsidiary of the Company.

In the Merger, all outstanding shares of Common Stock of GuestWorld were converted into an aggregate of 126,184 shares of Common Stock, par value $.01 per share, of the Company. The acquisition was accounted for as a purchase. Results of operations for GuestWorld are included with those of the Company for periods subsequent to the date of acquisition.

Under the terms of the Agreement and related Escrow Agreement dated June 16, 1998, an aggregate of 12,618 shares of Common Stock of the Company will be held in escrow for the purpose of indemnifying the Company against certain liabilities of GuestWorld and its stockholders. The escrow will expire on June 16, 1999.

The purchase price was allocated as follows:

In process research and development...	$3,639,055
Developed technology.....	183,868
Goodwill and other intangible assets..	7,661
Property and equipment.....	50,000
Liabilities assumed	(300,000)
	$3,580,584

Accumulated amortization on intangible assets was $4,597 at July 31, 1998.

In-Process Research and Development

In connection with the acquisitions of Tripod, WiseWire and GuestWorld, the Company recorded an in-process research and development charge of $91,239,055, representing purchased in-process research and development that has not yet reached technological feasibility and has no alternative future use. The Company's management made certain assessments with respect to the determination of all identifiable assets resulting from, or to be used in, research and development activities as of the respective acquisition dates. Each of these activities was evaluated as of the respective acquisition dates so as to determine their stage of development and related fair value. The Company's review, as of the acquisition date, indicated that the in-process research and development had not reached a state of technological feasibility and evidenced no alternative future use. In the case of in-process projects, the Company made estimates to quantify the cost-to-complete for each project, identifying the project date of introduction, the estimated life of the project, the project's "fit" within the Company's own in-process research projects, the revenues to be generated in each future period and the corresponding operating expenses and other charges to apply to this revenue stream. In order to determine the value of the earnings stream attributable to the in-process research and development, the excess earnings from the projects were calculated by deducting the earnings stream attributable to all other assets including working capital and tangible assets. Based upon these assumptions, after-tax cash flows attributable to the in-process project(s) were determined, appropriately discounted back to its respective net present value, taking into account the uncertainty surrounding the successful development of the purchased in-process technology.

In the case of in-process technology, fair values of the corresponding technologies were determined by the Income Approach which included both a discounted future earnings methodology and a relief from royalty methodology. Under these methodologies, the value of the in-process technology is comprised of the total present value of the future earnings stream attributable to the technology throughout its anticipated life. An adjustment to the value of certain in-process research and development projects has been applied based on a percentage completion formula. The valuation of the acquired in-process research and development used by the Company in making its determination as to the amount of in-process research and development expense was supported by valuation studies prepared by an independent third party appraiser.

In order to assess the reasonableness of the conclusions reached under the Excess Earnings (Discounted Future Earnings) method, the value of the technologies was also estimated using a Relief from Royalty approach. Under this approach, the value of the technologies is estimated to be the present value of the after tax amounts that the Company would otherwise be required to pay to third parties to obtain access to the subject technologies, if it did not already own them. In applying the method, management estimated a royalty rate and forecasted an estimated royalty stream for the in-process technologies. The estimated royalty rate used was based on existing Lycos contracts for the licensing of similar technologies.

GuestWorld and WiseWire are both development stage companies that had not generated significant commercial revenue at their respective acquisition dates and were loss making. Neither company had completed development of technologically robust or commercially viable products or services. Significant uncertainty existed in relation to the introduction of such products or services.

Lycos' management has considered the possible existence or value of other intangible assets such as patents, copyrights, brand names, customers lists, etc. However, management at both companies had been focused on completing the development projects underway and they had not undertaken the development of other intangible assets. Accordingly, Lycos' management believes that the value of any other such assets at the respective acquisition dates to be minimal or zero.

The purchase price paid for GuestWorld and WiseWire reflected payment for incomplete technology. Should the in-process projects fail, the value of Lycos' investment in these incomplete technologies would be diminimous or zero.

In the case of Tripod, management does believe that other intangible assets had been created by management at the acquisition date. As a result, in addition to valuing in-process research and development, management has also allocated a proportion of the purchase price, based on their respective fair values, to existing technology employed in the creation and management of pods as well as to other intangible assets associated with the existing community members.

The following unaudited pro forma financial information presents the combined results of operations of Lycos, Tripod and WiseWire as if the acquisitions had occurred as of the beginning of 1998, 1997 and 1996, respectively, after giving effect to certain adjustments, including amortization of goodwill and other intangible assets. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had Lycos, Tripod and WiseWire constituted a single entity during such periods. Pro forma information for GuestWorld for periods prior to the acquisition have not been presented because the results of GuestWorld's operations were not material to the Company's historical results.

(UNAUDITED)	LYCOS	TRIPOD	WISEWIRE	COMBINED
YEAR ENDED JULY 31, 1998				
Revenues	$ 56,060,305	$ 731,499	$ 310,123	$ 57,101,927
Operating expenses and interest income, net	152,976,868	4,690,100	2,625,150	160,292,118
Net loss	$(96,916,563)	$(3,958,601)	$(2,315,027)	$(103,190,191)
YEAR ENDED JULY 31, 1997				
Revenues	$ 22,273,042	$ 517,490	$ 111,490	$ 22,902,022
Operating expenses and interest income, net	28,892,232	3,506,191	2,463,770	34,862,193
Net loss	$ (6,619,190)	$(2,988,701)	$(2,352,280)	$ (11,960,171)
YEAR ENDED JULY 31, 1996				
Revenues	$ 5,257,227	$ 239,856	$ 79,310	$ 5,576,393
Operating expenses and interest income, net	10,345,065	1,312,799	483,444	12,141,308
Net loss	$ (5,087,838)	$(1,072,943)	$ (404,134)	$ (6,564,915)

WhoWhere?, Inc.

On August 13, 1998, the Company entered into an Agreement and Plan of merger to acquire WhoWhere?, Inc. See Note 7 "Subsequent Events".

5. ACCRUED EXPENSES

Accrued expenses consist of the following:

	JULY 31, 1998	JULY 31, 1997
Compensation and benefits	2,262,015	$ 942,749
Advertising and promotion	8,885,178	4,238,361
Professional fees	1,262,351	627,884
Non-income taxes	567,500	407,401
Other	4,612,656	1,171,312
	17,589,700	$ 7,387,707

6. COMMITMENTS AND CONTINGENCIES

The Company leases its facilities and certain other equipment under operating lease agreements expiring through 2004. Future noncancelable minimum payments as of July 31, 1998 under these leases for each fiscal year end are as follows:

1999	$8,557,981
2000	5,854,175
2001	3,612,403
2002	3,402,195
2003	2,384,660

Rent expense under noncancellable operating leases was $5,057,907, $2,094,774, and $318,500 for the years ended July 31, 1998, 1997 and 1996, respectively.

The Company is obligated to make payments totaling approximately $19 million under contracts to provide search and navigation services between June 1998 and September 1999. No payments had been made under these agreements as of July 31, 1998.

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position, results of operations or cash flows of the Company.

7. SUBSEQUENT EVENTS (UNAUDITED)

Acquisition of WhoWhere? Inc.

On August 7, 1998, the Company entered into an Agreement and Plan of Merger (the "Agreement") by and among the Company, What Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of the Company ("WWAC"), WhoWhere? Inc., a California corporation ("WhoWhere?"), and certain shareholders of WhoWhere? providing for the merger of WWAC with and into WhoWhere? (the "Merger"). On August 13, 1998, the Company completed the closing of the Merger and WhoWhere? became a wholly-owned subsidiary of the Company.

The acquisition will be accounted for as a purchase. The purchase price will be allocated to the assets acquired and liabilities assumed based on their estimated fair values. Results of operations for WhoWhere? will be included with those of the Company for periods subsequent to the date of acquisition.

In the Merger, all outstanding shares of Common Stock and Preferred Stock of WhoWhere? were converted into an aggregate of 3,770,254 shares of Common Stock , par value $.01 per share, of the Company (the "Lycos Common Stock"), and all outstanding options and warrants to purchase Common Stock or Preferred Stock of WhoWhere? were assumed by the Company and became options or warrants, as the case may be, to purchase an aggregate of 1,335,244 shares of Lycos Common Stock.

The Company has filed a Registration Statement on Form S-3 with respect to the resale of the shares of Lycos Common Stock issued in the Merger and the shares of Lycos Common Stock issuable upon the exercise of warrants assumed in the Merger and filed a Registration Statement on Form S-8 with respect to the shares of Lycos Common Stock issuable upon the exercise of options and warrants assumed in the Merger.

Under the terms of the Agreement and related Escrow Agreement dated August 13, 1998, an aggregate of 377,038 shares of Lycos Common Stock and options and warrants to purchase an additional 133,540 shares of Lycos Common Stock will be held in escrow for the purpose of indemnifying the Company against certain liabilities of WhoWhere? and its stockholders. The escrow will expire on August 13, 1999.

Acquisition of Wired Ventures, Inc.

On October 5, 1998, the Company entered into a definitive merger agreement to acquire Wired Ventures Inc. in a stock-for-stock transaction valued at approximately $83 million, net of cash to be acquired and the value of shares issuable to the holders of options to purchase common stock of Wired which are exercised prior to the closing of the acquisition. The transaction is intended to be accounted for as a purchase, and accordingly, the purchase price will be allocated to assets acquired and liabilities assumed based on their respective fair values. Subject to several conditions, including approval of Wired's shareholders, the transaction is expected to close in the second quarter of fiscal 1999.

Acquisition of PlanetAll, Inc.

In August 1998, pursuant to an Agreement and Plan of Merger, Amazon.com acquired all of the outstanding capital stock of PlanetAll. Amazon.com issued approximately 800,000 shares of Amazon.com common stock, par value $.01 per share valued at approximately $87 million. Of the total of 800,000 shares issued by Amazon.com, the Company received 107,377 shares valued at approximately $11.6 million at the time of acquisition in exchange for its shares of PlanetAll. See Note 2.

8. STOCKHOLDERS' EQUITY

Common Stock

On June 4, 1998, 4,500,000 of the Company's shares were sold under a registration statement filed with the Securities Exchange Commission. Of the 4,500,000 shares sold, 4,000,000 shares were sold by the Company and 500,000 were sold by CMG Information Services, Inc ("CMGI"). The Company did not receive any proceeds from the sale of shares by CMGI. Proceeds to the Company were approximately $95 million, before deduction of expenses payable by the Company of $350,000. The Underwriters exercised an option to purchase 675,000 additional shares of Common Stock, resulting in additional proceeds to the Company of approximately $16 million.

1995 Stock Option Plan

During 1995, the Company adopted the 1995 Stock Option Plan (the "1995 Plan") under which nonqualified stock options to purchase common stock may be granted to officers and other key employees. Under the Plan, options to purchase 2,000,000 shares of common stock may be granted at an exercise price determined by the Board of Directors. Options granted under the 1995 Plan are exercisable in five equal annual installments beginning one year after date of grant, except that the vesting of certain options are subject to acceleration upon the occurrence of certain events. Options under the 1995 Plan expire six years from date of grant. The total weighted average contractual life of options outstanding at July 31, 1998 was 3.5 years.

A summary of option activity under the 1995 Plan is as follows:

	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	RANGE OF EXERCISE PRICES
Outstanding at July 31, 1995....	1,120,000	$0.01	$ 0.01
Granted.....	1,179,552	$2.41	$0.01 - $ 8.00
Exercised.....	--	--	---
Terminated.....	(390,608)	$0.07	$0.01 - $ 4.80
Outstanding at July 31, 1996...	1,908,944	$1.48	$0.01 - $ 8.00
Granted.....	420,000	$7.20	$5.69 - $ 7.94
Exercised.....	(101,600)	$0.03	$0.01 - $ 1.16
Terminated.....	(245,736)	$1.72	$0.01 - $ 8.00
Outstanding at July 31, 1997...	1,981,608	$2.73	$0.01 - $ 7.94
Granted.....	--	--	---
Exercised.....	(630,184)	$0.34	$0.01 - $ 7.94
Terminated.....	(212,080)	$1.25	$0.01 - $ 8.50
Outstanding at July 31, 1998...	1,139,344	$3.11	$0.01 - $ 7.94
Exercisable at July 31, 1998...	359,368	$3.75	$0.01 - $ 7.75

The following table summarizes information about the Company's stock options outstanding at July 31, 1998.

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
1995 STOCK OPTION PLAN RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT JULY 31, 1998	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT JULY 31, 1998	WEIGHTED-AVERAGE EXERCISE PRICE
$0.01--$1.16	407,696	3.1	$0.02	82,200	$0.01
$4.80--$4.80	441,648	3.5	$4.80	269,168	$4.80
$5.69--$7.94	290,000	4.7	$7.15	8,000	$6.77
	1,139,344			359,368	

Pursuant to the License Agreement, CMG@Ventures has agreed to sell to the Company a number of shares of common stock equal to the shares issuable upon exercise of options granted under the 1995 Plan and the 1996 Plan (as defined below) prior to the initial public offering at a price equal to the exercise price of the options as such options are exercised.

The Company has recorded deferred compensation expense of approximately $610,000 for the difference between the grant price and the estimated fair value (determined by independent valuations or by reference to third party transactions) of certain of the Company's stock options granted. This amount is being amortized over the vesting period of the individual options on a straight-line basis, determined separately for each portion of the options that vest in each year. Deferred compensation expense recognized for the year ended July 31, 1998, 1997 and 1996 was approximately $47,000, $142,000 and $234,000, respectively.

1996 Stock Option Plan

On February 2, 1996, the 1996 Stock Option Plan (the ''1996 Plan'') was adopted by the Board of Directors. A maximum of 2,000,000 shares of common stock may be issued pursuant to the 1996 Plan upon exercise of options. On June 27, 1997, the Company's Board of Directors voted to authorize an additional 400,000 shares for grant under the 1996 Plan.

Under the 1996 Plan, incentive stock options may be granted to employees and officers of the Company and non-qualified stock options may be granted to consultants, employees and officers of the Company. The exercise price of such incentive stock options cannot be less than the fair market value of the common stock on the date of grant, or less than 110% of fair market value in the case of employees or officers holding 10% or more of the voting stock of the Company. The Compensation Committee of the Board of Directors has the authority to select optionees and to determine the terms of the options granted. Options granted under the 1996 Plan are exercisable in five equal annual installments commencing on the first anniversary of the date of grant, except that vesting of certain options are subject to acceleration upon the occurrence of certain events. Options under the 1996 Plan expire ten years from the date of grant. The total weighted average contractual life of options outstanding at July 31, 1998, was 9.0 years.

A summary of option activity under the 1996 Plan is as follows:

	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	RANGE OF EXERCISE PRICES
Outstanding at July 31, 1995...	--	--	--
Granted.....	241,500	$ 6.52	$ 3.00 - $ 8.88
Exercised.....	--	--	--
Terminated.....	(62,000)	$ 7.39	$ 6.50 - $ 8.50
Outstanding at July 31, 1996...	179,500	$ 6.21	$ 3.00 - $ 8.88
Granted.....	2,169,844	$ 5.82	$ 2.91 - $ 10.75
Exercised.....	--	--	--
Terminated.....	(298,800)	$ 6.56	$ 3.57 - $ 10.75
Outstanding at July 31, 1997...	2,050,544	$ 5.72	$ 2.91 - $ 10.75
Granted.....	3,593,500	$ 22.43	$ 8.38 - $ 49.78
Exercised.....	(354,596)	$ 5.81	$ 3.00 - $ 10.75
Terminated.....	(257,200)	$ 8.14	$ 3.00 - $ 18.94
Outstanding at July 31, 1998...	5,032,248	$ 15.15	$ 2.91 - $ 49.78
Exercisable at July 31, 1998...	96,312	$ 6.10	$ 2.91 - $ 10.25

The following table summarizes information about the Company's stock options outstanding at July 31, 1998.

1996 STOCK OPTION PLAN RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING AT JULY 31, 1998	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT JULY 31, 1998	WEIGHTED-AVERAGE EXERCISE PRICE
$ 2.91--$ 5.18	545,276	8.1	$ 4.31	25,000	$3.79
$ 5.19--$ 5.57	355,812	8.2	$ 5.55	15,012	$5.53
$ 5.67--$ 7.88	463,100	8.0	$ 6.32	30,700	$6.58
$ 7.89--$ 10.75	1,219,160	8.9	$ 8.62	25,600	$8.14
$10.76--$ 25.00	1,367,000	9.4	$ 19.37	--	--
$25.01--$ 37.00	965,900	9.8	$ 28.73	--	--
$37.01--$ 53.46	116,000	9.6	$ 38.86	--	--
	5,032,248			96,312	

In September 1996, the Company canceled 169,464 options previously granted to employees under the 1995 Plan and 1996 Plan at various exercise prices and granted an equivalent number of additional options to those same employees pursuant to the 1996 Plan at an exercise price of $4.80 per share. No compensation expense was recognized by the Company as the exercise price of these options on the date of grant was at or above fair market value.

1995 Tripod Stock Option Plan

In connection with the acquisition of Tripod, the Company assumed the 1995 Stock Option Plan under which incentive stock options and nonqualified stock options to purchase common stock may be granted to officers, key employees and advisors. Under the Plan, options to purchase 367,926 shares of common stock were reserved for grants. Options under the 1995 Tripod Stock Option Plan are generally exercisable in eight semi-annual installments beginning six months after date of grant. Options under the 1995 Tripod Stock Option Plan expire ten years from the date of grant. The total weighted average contractual life of options outstanding at July 31, 1998 was approximately 10.0 years.

A summary of option activity under the 1995 Tripod Stock Option Plan is as follows:

	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	RANGE OF EXERCISE PRICES
Outstanding at February 12, 1998...	367,926	$ 0.65	$ 0.62 - $ 1.54
Granted.....	--	--	--
Exercised.....	(134,492)	$ 0.62	$ 0.62 - $ 1.54
Terminated.....	(24,820)	$ 0.88	$ 0.62 - $ 1.54
Outstanding at July 31, 1998.....	208,614	$ 0.65	$ 0.62 - $ 1.54
Exercisable at July 31, 1998.....	79,995	$ 0.62	$ 0.62 - $ 1.54

The following table summarizes information about stock options outstanding under the 1995 Tripod Stock Option Plan at July 31, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
1995 STOCK OPTION PLAN RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT JULY 31, 1998	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT JULY 31, 1998	WEIGHTED-AVERAGE EXERCISE PRICE
$0.50--$ 0.75	201,222	10.3	$0.62	79,834	$0.62
$0.75--$ 2.00	7,392	2.9	$1.54	161	$1.54
	208,614			79,995	

1995 and 1996 WiseWire Stock Option Plans

In connection with the acquisition of WiseWire, the Company assumed the 1995 and 1996 Stock Option Plan under which incentive stock options and nonqualified stock options to purchase common stock may be granted to officers, key employees and advisors. Under these plans, the Company may grant either incentive stock options or non-qualified stock options. These options are fully vested and are exercisable over a 5 year period from date of grant. The employee plan was adopted in 1995 and is restricted to Company employees. These options generally have a term of ten years from the date of grant with 20% vesting after a brief probationary period and the remainder vest over a four-year period. The non-employee plan was adopted in 1996 and is intended primarily for directors or other non-employees. Options granted under the non-employee plan typically vest immediately. The total weighted average contractual life of options outstanding under the 1995 and 1996 WiseWire Stock Option Plans at July 31, 1998 was approximately 8.1 and 8.4 years, respectively.

A summary of option activity under the 1995 WiseWire Stock Option Plan is as follows:

	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	RANGE OF EXERCISE PRICES
Outstanding at April 30, 1998...	210,274	$ 2.67	$1.34 - $ 53.46
Granted.....	--	--	--
Exercised.....	(63,024)	$ 2.02	$1.34 - $ 8.02
Terminated.....	(27,096)	$ 4.06	$1.34 - $ 8.02
Outstanding at July 31, 1998....	120,154	$ 2.69	$1.34 - $ 53.46
Exercisable at July 31, 1998....	25,960	$ 2.83	$1.34 - $ 53.46

The following table summarizes information about stock options outstanding under the 1995 WiseWire Stock Option Plan at July 31, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
1995 STOCK OPTION PLAN RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT JULY 31, 1998	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT JULY 31, 1998	WEIGHTED-AVERAGE EXERCISE PRICE
$ 1.00--$ 2.00	89,224	8.3	$1.34	22,390	$ 1.34
$ 5.00--$ 53.46	30,930	7.6	$6.61	3,570	$12.18
	120,154			25,960	

A summary of option activity under the 1996WiseWire Stock Option Plan is as follows:

	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	RANGE OF EXERCISE PRICES
Outstanding at April 30, 1998...	21,034	$13.19	0.14 - $ 53.46
Granted.....	--	--	--
Exercised.....	--	--	--
Terminated.....	(13,466)	$13.10	0.14 - $ 53.46
Outstanding at July 31, 1998....	7,568	$13.37	13.37 - $ 13.37
Exercisable at July 31, 1998....	7,568	$13.37	13.37 - $ 13.37

The following table summarizes information about stock options outstanding under the 1996 WiseWire Stock Option Plan at July 31, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
1996 STOCK OPTION PLAN RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT JULY 31, 1998	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT JULY 31, 1998	WEIGHTED-AVERAGE EXERCISE PRICE
$ 10.69--$ 16.04	7,568	8.4	$13.37	7,568	$13.37

1996 Non-Employee Director Stock Option Plan

On February 2, 1996, the 1996 Non-Employee Director Stock Option Plan (the "Director Plan") was approved by the Board of Directors. The Director Plan authorizes the issuance of a maximum of 200,000 shares of common stock. The Director Plan is administered by the Board of Directors. Under the Director Plan each non-employee director first elected to the Board of Directors after the completion of the initial public offering will receive an option for 20,000 shares on the date of his or her election. The exercise price per share for all options granted under the Director Plan will be equal to the fair market value of the common stock as of the date of grant. All options vest in three equal installments beginning on the first anniversary of the date of grant. Options under the Director Plan will expire 10 years from the date of grant and are exercisable only while the optionee is serving as a director of the Company. As of July 31, 1998, 40,000 options had been granted at exercise prices of between $5.75 and $8.69 per share and remained outstanding under the Director Plan, of which 13,333 were exercisable.

1996 Employee Stock Purchase Plan

On February 2, 1996, the 1996 Employee Stock Purchase Plan ("1996 Purchase Plan") was adopted by the Company's Board of Directors. The 1996 Purchase Plan authorizes the issuance of a maximum of 500,000 shares of common stock and is administered by the Compensation Committee of the Board of Directors. All employees of the Company who have completed six months of service with the Company are eligible to participate in the 1996 Purchase Plan with the exception of those employees who own 5% or more of the Company's stock and directors who are not employees of the Company may not participate in this plan. Employees elect to have deducted from 1%-10% of their base compensation. The exercise price for the option is the lesser of 85% of the fair market value of the common stock on the first or last business day of the purchase period (6 months). An employee's rights under the 1996 Purchase Plan terminate upon his or her voluntary withdrawal from the Plan at any time or upon termination of employment.

Stock-Based Compensation

The Company has granted options to purchase shares of common stock to key employees and directors. These options vest over periods of up to five years and expire at various dates through 2007. The Company has adopted the disclosure provisions of SFAS No. 123 with respect to its stock-based compensation. The effects of applying SFAS No. 123 in this pro forma disclosure may not be representative of the effects on reported income or loss for future years. SFAS 123 does not apply to awards prior to 1995. The Company anticipates additional awards in future years. Had compensation cost for the Company's stock-based compensation plans been determined based on the grant date fair value in accordance with SFAS 123, the Company's net loss and net loss per share for the years ended July 31, 1998, 1997 and 1996 would have been increased to the pro forma amounts indicated below:

	AS REPORTED		PRO FORMA	
	NET LOSS	LOSS PER SHARE	NET LOSS	LOSS PER SHARE
Year ended July 31, 1998.....	$(96,916,563)	$(3.13)	$(103,919,264)	$(3.36)
Year ended July 31, 1997.....	$ (6,619,190)	$(0.24)	$ (7,548,626)	$(0.28)
Year ended July 31, 1996.....	$ (5,087,838)	$(0.21)	$ (5,191,133)	$(0.22)

The grant date fair value of each stock option is estimated using the Black-Scholes option-pricing model with the following assumptions: an expected life of four years for both the 1996 plan and the 1995 plan for all three years, expected volatility of 100% for both Plans in 1998 and 70% for both plans for 1997 and 1996, a dividend yield of 0% for both plans and a weighted average risk-free interest rate of 5.48% for both Plans in 1998 and 6.50% for the 1996 plan and 5.75% for the 1995 plan in 1997 and 1996. The weighted average grant date fair values of options granted in 1998, 1997 and 1996 were $16.47, $4.87 and $1.62, respectively. The weighted-average remaining contractual life of options outstanding at July 31, 1998 was 9.0 years.

9. INCOME TAXES

The company did not record any provision for federal and state income taxes through July 31, 1998. The actual tax expense for 1998, 1997 and 1996 differs from "expected" tax expense (computed by applying the statutory U.S. federal corporate tax rate of 34% to earnings before income taxes) as follows:

	YEAR ENDED JULY 31,		
	1998	1997	1996
	(In thousands)		
Computed "expected" tax benefit	$(32,952)	$(2,251)	$(2,035)
Nondeductible amounts and other differences:			
In Process Research and Development	31,459	--	154
Other	85	(326)	--
Change in valuation allowance for deferred taxes allocated to income tax expense	1,408	2,577	1,881
	$ --	$ --	$ --

At July 31, 1998 and 1997 deferred income tax assets and liabilities result from temporary differences in the recognition of income and expense for tax and financial reporting purposes. The sources and tax effects of these temporary differences are presented below:

(In thousands)	JULY 31, 1998	1997
Deferred tax liabilities:		
Book over tax basis of developed technology	$ 2,806	$ 250
Total deferred liabilities	2,806	250
Deferred tax assets:		
Deferred Revenue	2,169	1,823
Reserves	2,307	867
Tax in excess of book basis for differences in equity investments	2,164	1,923
Net operating losses and credit carryforwards	15,979	311
Other	594	103
Total gross deferred tax assets	23,213	5,027
Less valuation allowance	(20,407)	(4,777)
Net deferred tax asset	2,806	250
Net deferred income taxes	$ --	$ --

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some or all of the deferred tax asset will not be realized. The Company believes that sufficient uncertainty exist regarding the realizability of the deferred tax assets such that valuation allowances of $20,407,000 and $4,777,000 for July 31, 1998 and 1997 respectively, have been established for deferred tax assets.

At July 31, 1998, the Company had approximately $38,000,000 of federal and state net operating loss carryforwards which will begin to expire in 2007 for federal purposes and 1998 for state purposes. Utilization of the net operating losses may be subject to an annual limitation imposed by change in ownership provisions of Section 382 of the Internal Revenue Code and similar state provisions.

In accordance with FAS 109, the accounting for the tax benefits of acquired deductible temporary differences, which are not recognized at the acquisition date because a valuation allowance is established, and recognized subsequent to the acquisitions will be applied first to reduce to zero, any goodwill and other noncurrent intangible assets related to the acquisitions. Any remaining benefits would be recognized as reduction of income tax expense. As of July 31, 1998, $5,460,000 of the Company's deferred asset pertains to acquired companies, the future benefits of which will be applied first to reduce to zero any goodwill and other noncurrent intangible related to the acquisitions prior to reducing the Company's income tax expense. Deferred tax assets and related valuation allowance of approximately $10,519,000 relate to certain operating loss carryforwards resulting from the exercise of employee stock options, the tax benefit of which, when recognized, will be accounted for as a credit to additional paid-in capital rather than a reduction of income tax.

The Company's deferred tax liability relates solely to the difference in bases of acquired assets. A portion or all of net operating loss carryforwards which can be utilized in any year may be limited by changes in ownership of the Company, pursuant to Section 382 of the Internal Revenue Code and similar statutes.

10. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth selected quarterly financial and stock price information for the years ended July 31, 1998 and 1997. The operating results for any given quarter are not necessarily indicative of results for any future period. The Company's common stock is traded on the NASDAQ National Market System ("NASDAQ/NMS") under the symbol LCOS. Included below are the high and low sales prices (adjusted for a 2-for-1 stock split effected as of August 1, 1995) during each quarterly period for the shares of common stock as reported by NASDAQ/NMS.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	FISCAL 1998 QUARTER ENDED				FISCAL 1997 QUARTER ENDED			
	OCT. 31	JAN. 31	APR. 30	JUL. 31	OCT. 31	JAN. 31	APR. 30	JUL. 31
Total revenues	$9,303	$12,603	$ 15,129	$19,025	$ 3,663	$ 5,004	$ 5,853	$ 7,753
Cost of revenues	1,779	2,719	4,747	3,268	741	993	1,116	1,487
Gross profit	7,524	9,884	10,382	15,757	2,922	4,011	4,737	6,266
Research & development expense	1,435	1,734	2,704	3,605	974	976	1,158	1,192
In-process research & development expense	--	--	87,600	3,639	--	--	--	--
Sales and marketing	5,477	7,310	10,172	12,077	4,627	4,754	4,526	5,218
General and administrative expenses	932	990	1,508	2,200	545	693	645	836
Amortization of intangibles	113	113	444	1,462	117	141	161	122
Operating loss	(433)	(263)	(92,046)	(7,226)	(3,341)	(2,553)	(1,753)	(1,102)
Interest income	540	564	524	1,423	582	541	480	527
Net income (loss)	107	301	(91,522)	(5,803)	(2,759)	(2,012)	(1,273)	(575)
Basic and diluted net income (loss) per share	$ 0.00	$ 0.00	$ (2.95)	$ (0.16)	$ (0.10)	$ (0.08)	$ (0.05)	$ (0.02)
Market Price:								
High	21.00	21.00	39.57	53.63	6.38	9.38	11.38	9.63
Low	8.13	12.63	17.60	24.16	2.88	4.75	6.00	5.60

11. RELATED PARTY TRANSACTIONS

In connection with the formation of the Company, the Company, CMU, CMG@Ventures and CMG Information Services, Inc. ("CMGI") entered into a license agreement ("License Agreement") pursuant to which CMU granted the Company a perpetual, exclusive (with certain limited exceptions), worldwide license to use the Lycos Internet search and indexing technology and the Lycos Catalog. The Company paid licensing fees and additional payments equal to 50% of certain cash receipts, as defined, totaling approximately $1,250,000. All amounts due under the License Agreement were paid as of July 31, 1996. The Company also issued 2,000,000 shares of common stock in connection with this Agreement. Accumulated amortization under the License Agreement at July 31, 1997 and 1996 was $726,000 and $337,000, respectively.

On February 9, 1996, the Company sold 183,160 shares and 80,000 shares of common stock and options to acquire 119,452 shares and 52,172 shares of Common Stock to CMU and Dr. Michael Mauldin, respectively, for an aggregate purchase price of $328,950, pursuant to the exercise of preemptive rights granted to these parties in the License Agreement. These preemptive rights were exercised in connection with the issuance of shares of common stock pertaining to the Company's acquistion of Point Communications on October 12, 1995 (see Note 4). The options granted to Dr. Mauldin and CMU have an exercise price of $1.00 per share and became fully vested upon completion of the Company's initial public offering in April 1996.

In addition to amounts paid to CMU in connection with the License Agreement, the Company was also required to pay to CMU an additional $525,000 pursuant to two licenses granted by CMU which were assigned to the Company. As of July 31, 1998, the Company had paid an aggregate of $400,000 to CMU pursuant to these licenses.

In April 1998 the remaining carrying value of the License Agreement of approximately $831,000 was written off as it was not considered to have any remaining future economic benefit.