

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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BOCA RESEARCH INC

CIK: **895642** | IRS No.: **592479377** | State of Incorporation: **FL** | Fiscal Year End: **1231**
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SIC: **3661** Telephone & telegraph apparatus

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended September 30, 1996 Commission File Number 0-21138

BOCA RESEARCH, INC.

(Exact name of registrant as specified in its charter)

Florida 59-2479377
(State or other jurisdiction (I.R.S. Employer Identification No.)
of incorporation or organization)

1377 Clint Moore Road
Boca Raton, Florida
(Address of principal executive offices) 33847
(Zip Code)

Registrant's telephone number, including
area code: (407) 997-6227

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of November 12, 1996
Common stock, par value \$.01 per share	8,662,216

BOCA RESEARCH, INC.
Form 10-Q For The Quarter Ended September 30, 1996

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Total stockholders' equity	54,172	46,606
	-----	-----
Total liabilities and stockholders' equity	\$62,457	\$57,678
	=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

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BOCA RESEARCH, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net sales	\$32,966	\$37,350	\$124,563	\$97,815
Cost of goods sold	26,798	27,829	99,169	72,397
	-----	-----	-----	-----
Gross profit	6,168	9,521	25,394	25,418
	-----	-----	-----	-----
Operating expenses:				
Research and development	739	839	2,222	2,086
Selling, general and administrative	4,010	4,951	13,636	13,417
	-----	-----	-----	-----
Total operating expenses	4,749	5,790	15,858	15,503
	-----	-----	-----	-----
Income from operations	1,419	3,731	9,536	9,915
Non-operating income, net	177	63	440	419
	-----	-----	-----	-----
Income before income taxes	1,596	3,794	9,976	10,334
Income taxes	574	1,372	3,591	3,726
	-----	-----	-----	-----
Net income	\$ 1,022	\$ 2,422	\$ 6,385	\$ 6,608
	=====	=====	=====	=====
Primary earnings per share	\$ 0.12	\$ 0.27	\$ 0.71	\$ 0.74
	=====	=====	=====	=====
Shares used in primary per share calculation	8,792	9,087	8,965	8,874
	=====	=====	=====	=====
Fully diluted earnings per share	\$ 0.12	\$ 0.27	\$ 0.71	\$ 0.73
	=====	=====	=====	=====
Shares used in fully diluted per share calculation	8,792	9,087	8,965	9,016
	=====	=====	=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

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BOCA RESEARCH, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	Nine Months Ended September 30,	
	1996	1995
	-----	-----
<S>	<C>	<C>

Cash provided by (used in) :		
Operating activities:		
Net income	\$ 6,385	\$ 6,608
Adjustments for non-cash charges	2,267	1,938
Changes in assets and liabilities	(6,061)	(13,476)
	-----	-----
Net cash provided by (used in)		
operating activities	2,591	(4,930)
	-----	-----
Investing activities:		
Loan to related party	0	(205)
Loan repayment from related party	0	500
Capital expenditures	(2,193)	(2,352)
	-----	-----
Net cash used in investing activities	(2,193)	(2,057)
	-----	-----
Financing activities - Exercise of options	1,181	494
	-----	-----
Net increase (decrease) in cash and cash equivalents ..	1,579	(6,493)
Cash and cash equivalents, beginning of period	477	6,666
	-----	-----
Cash and cash equivalents, end of period	\$ 2,056	\$ 173
	=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

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BOCA RESEARCH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting and, accordingly, they do not include all of the information and disclosures required by generally accepted accounting principles. In the opinion of management, the condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of September 30, 1996, and the results of its operations and its cash flows for the three and nine month periods ended September 30, 1996 and 1995. These results have been determined on the basis of generally accepted accounting principles and practices applied consistently with those used in the preparation of the Company's 1995 audited financial statements.

The accompanying financial statements should be read in conjunction with the Company's most recent audited financial statements and notes thereto for the year ended December 31, 1995. The results of operations for the three and nine month periods ended September 30, 1996 are not necessarily indicative of the results to be expected for the full year.

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," effective January 1, 1996. The adoption did not have a significant effect on financial position or results of operations.

The Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation," effective January 1, 1996. The Company is continuing to measure stock-based employee compensation using the intrinsic value method, and will provide the pro forma disclosures required by SFAS No. 123 in its financial statements for the year ending December 31, 1996.

Certain prior year amounts have been reclassified to conform to the current presentation.

SUPPLEMENTAL CASH FLOW INFORMATION

Cash payments (net of refunds) for income taxes were \$4,751,683 and \$4,082,231 in the nine month periods ended September 30, 1996 and 1995, respectively.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CON'T)
(UNAUDITED)

CURRENT ASSETS

Accounts receivable are included in the condensed consolidated balance sheets net of allowances and consist of the following (in thousands):

<TABLE>
<CAPTION>

	September 30, 1996	December 31, 1995
	-----	-----
<S>	<C>	<C>
Accounts receivable	\$ 35,668	\$ 26,484
Allowance for sales returns, allowances and price protection	(2,500)	(2,613)
Allowance for doubtful accounts	(1,599)	(1,000)
	-----	-----
	\$ 31,569	\$ 22,871
	=====	=====

</TABLE>

Included in the accounts receivable balance are: (a) \$846,000 from MBf/Boca Asia Pacific Sdn Bhd, a joint venture in Malaysia in which the Company has a 50% ownership interest; and (b) \$376,000 from Powertel of India, a joint venture in India in which the Company has a 20% ownership interest. Sales to these related parties in the three and nine month periods ended September 30, 1996 were approximately \$843,000 and \$4,472,000, respectively. The Company did not have such investments in the nine months ended September 30, 1995.

Inventories included in the condensed consolidated balance sheets consist of the following (in thousands):

<TABLE>
<CAPTION>

	September 30, 1996	December 31, 1995
	-----	-----
<S>	<C>	<C>
Raw materials	\$ 13,069	\$ 16,501
Work in process	5,045	5,346
Finished goods	753	1,690
Inventory reserves	(2,000)	(1,080)
	-----	-----
	\$ 16,867	\$ 22,457
	=====	=====

</TABLE>

PROPERTY AND EQUIPMENT

Property and equipment is included in the condensed consolidated balance sheets net of accumulated depreciation of \$7,319,715 at September 30, 1996 and \$5,347,030 at December 31, 1995.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CON'T)
(UNAUDITED)

LINE OF CREDIT

The Company had an unsecured revolving line of credit expiring April 30, 1997, which permitted borrowings of the lesser of \$7,000,000 or 50% of qualified accounts receivable. On September 12, 1996, the Company entered into a new unsecured revolving line of credit agreement expiring May 31, 1998, which permits borrowings of the lesser of \$12,000,000 or 60% of qualified accounts receivable. Under the terms of the loan agreement relating to the line of credit, the Company may elect the interest rate to be either the bank's prime rate or the London InterBank Offered Rate (LIBOR) plus 1 1/2%. The loan agreement requires the Company to maintain certain financial ratios, limits the incurrence of additional debt, and prohibits payment of dividends without the bank's consent. There were no borrowings outstanding at September 30, 1996.

Rent expense for the three month periods ended September 30, 1996 and 1995 was \$197,153 and \$166,990, respectively, and \$603,657 and \$975,073 for the nine month periods ended September 30, 1996 and 1995, respectively. In the three month period ended March 31, 1995, the Company incurred additional rent expense of approximately \$269,000 to record the effect of vacating two leased facilities. The Company is committed through 2000 for rents under noncancelable operating leases for use of its offices, warehouses and manufacturing facilities. The aggregate minimum annual payments under such leases for the years ending December 31, 1996, 1997, 1998, 1999 and 2000 are \$659,320, \$543,426, \$427,533, \$325,728, and \$206,686, respectively.

The Company receives communications from time to time alleging that certain of the Company's products infringe the patent rights of other parties. Based on information currently available to the Company, it is the opinion of the Company's management that the ultimate outcome of these matters will not have a material adverse effect on the Company's results of operations or financial position.

On October 4, 1996, the Company entered into a Consulting Agreement (the "Consulting Agreement") with ARGOQUEST, Inc., a California corporation ("ArgoQuest") pursuant to which ArgoQuest was retained to serve as a consultant to the Company with respect to sales to retail accounts, wholesale distributors and original equipment manufacturers ("OEMs"). The principal terms of the Consulting Agreement are as follows:

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BOCA RESEARCH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CON'T)
(UNAUDITED)

The Consulting Agreement has a term of 54 months (the "Term"). In consideration of entering into the Consulting Agreement, ArgoQuest will receive a monthly fee of \$83,333 in cash, plus expenses, for the Term, except that no fees will be paid for the period commencing on the first day of the seventh month of the Term and ending on the last day of the eighteenth month of the Term (the "Deferred Period"), unless the Board of Directors of the Company shall determine otherwise. If the Company achieves at least \$50 million in certain Net Sales, as defined in the Consulting Agreement ("Net Sales"), during the first eighteen months of the Consulting Agreement (the "First Period"), then ArgoQuest will be entitled to receive an additional consulting fee of \$1,000,000, less any consulting fees paid to ArgoQuest during the Deferred Period. If the Company does not achieve at least \$50 million in Net Sales during the First Period, the Company may terminate the Consulting Agreement.

ArgoQuest will have the right to be granted options to purchase shares of Common Stock of the Company, subject to the Company achieving specified Net Sales during certain periods (the "Initial Options"). In the event that during the First Period, the Company achieves Net Sales of at least \$100 million, then ArgoQuest will be granted options to purchase 500,000 shares of Common Stock of the Company (the "Boca Common Stock"), at an exercise price of \$2.95 per share. In the event that during the period commencing at the expiration of the First Period and continuing through the date which is thirty months after the execution and delivery of the Consulting Agreement (the "Second Period"), the Company achieves Net Sales of at least \$125 million, then ArgoQuest will be granted options to purchase 1,000,000 shares of Boca Common Stock, at an exercise price of \$2.95 per share. In the event that the Company achieves at least \$50 million in Net Sales for the First Period, the Initial Options to be granted with respect to the First Period will be pro rated on a linear basis between \$0 and \$100 million of the targeted Net Sales for such period. In the event that the Company achieves at least \$70 million in Net Sales for the Second Period, the Initial Options to be granted with respect to the Second Period will be pro rated on a linear basis between \$0 and \$125 million of the targeted Net Sales for such period. In addition, in the event that Net Sales for the First Period are less than \$100 million, ArgoQuest will be entitled to be granted those Initial Options attributable to the First Period which were not granted in the First Period if the Company achieves Net Sales for the Second Period of at least \$125 million plus an amount equal to the difference between actual Net Sales for the First Period and \$100 million.

ArgoQuest will have the right to receive additional options to purchase shares of Boca Common Stock, the grant of such options to be subject to the Company achieving the Target Net Sales set forth below during the periods set forth below (the "Performance Options"):

BOCA RESEARCH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CON'T)
(UNAUDITED)

<TABLE>
<CAPTION>

Period -----	Target Net Sales (Millions) -----	Pro Rata Threshold (Millions) -----	Number of Performance Options -----	Exercise Price per Share -----
<S>	<C>	<C>	<C>	<C>
Date of Agreement through 3/31/98	\$150 200	\$100 150	225,000 225,000	\$14.16 14.16
4/1/98 through 3/31/99	175 225	150 175	300,000 300,000	17.70 17.70
4/1/99 through 3/31/00	250 350	175 250	300,000 300,000	20.65 20.65
4/1/00 through 3/31/01	325 400	250 325	300,000 300,000	23.60 23.60

</TABLE>

In the event that the Company achieves Net Sales equal to at least the Pro Rata Threshold set forth in the table above but less than the Net Sales Target for such period, then ArgoQuest will be entitled to be granted a portion of the Performance Options designated for such period determined on a linear basis from the Pro Rata Threshold through the Net Sales Target for such period.

All earned Initial Options will vest in full on the date of grant. All earned Performance Options will vest over a three-year period from the date of grant, commencing on the first anniversary of the date of grant, and will be subject to the restrictions on transfer discussed above with respect to the issuance of the shares. The vesting of all earned Options will accelerate upon a change of control (as defined). In the event of a change of control, the Company may elect to terminate the Consulting Agreement and will be discharged from any further obligations to grant Options or pay consulting fees under the Agreement, except that a portion of the remaining Options will be granted subject to the Company achieving certain Net Sales targets during the period in which the change of control occurs. The shares of Common Stock issuable upon exercise of any Options granted pursuant to the Consulting Agreement will not be registered under the Securities Act of 1933, as amended, and will be subject to the restrictions on resale imposed by the Securities Act. The Consultant has been granted certain rights to require the Company to register (at the expense of the Consultant) the shares issuable upon exercise of the Options. The Consultant may not assign or otherwise transfer any Options, except that the Consultant may transfer Options aggregating not more than 25% of the Options,

BOCA RESEARCH, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CON'T)
(UNAUDITED)

determined on a cumulative basis. The Consultant is not permitted to sell or otherwise dispose of any shares of Common Stock issuable upon exercise of the Options until the first anniversary of the date of issuance thereof and, after such date, not to sell or otherwise dispose of greater than 33% of such shares, in the aggregate, on an annual basis.

STOCKHOLDERS' EQUITY

During the nine month period ended September 30, 1996, 105,379 shares were issued to current employees in connection with the exercise of options granted to the individuals under the Company's stock option plans. The aggregate proceeds received from these exercises were \$792,125.

In January and July 1996, 9,502 and 11,243 options were exercised by employees under the 1992 Employee Stock Purchase Plan. Aggregate proceeds received from these exercises were \$388,439.

During the nine month period ended September 30, 1996, the Company granted options to purchase 448,408 shares at prices ranging from \$11.50 to \$25.00 to both new and existing employees.

During the nine month period ended September 30, 1996, 80,849 stock options were canceled.

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ITEM 2.

BOCA RESEARCH, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis below contains trend analysis and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors set forth below and elsewhere in this Report.

As an aid to reviewing the Company's results of operations for the three and nine months ended September 30, 1996 and 1995, the following table sets forth the items in the consolidated statements of income as a percent of net sales and as a percent of change when compared to the earlier period:

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	1996	1995		1996	1995	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales	100.0%	100.0%	(11.7)%	100.0%	100.0%	27.3%
Cost of goods sold	81.3	74.5	(3.7)	79.6	74.0	37.0
Gross profit	18.7	25.5	(35.2)	20.4	26.0	(0.1)
Operating expenses:						
Research and development	2.2	2.2	(11.9)	1.8	2.1	6.5
Selling, general and administrative ..	12.2	13.3	(19.0)	10.9	13.7	1.6
Total operating expenses	14.4	15.5	(18.0)	12.7	15.8	2.3
Income from operations	4.3	10.0	(62.0)	7.7	10.2	(3.8)
Non-operating income, net	0.5	0.2	181.0	0.3	0.4	5.0
Income before income taxes	4.8	10.2	(57.9)	8.0	10.6	(3.5)
Income taxes	1.7	3.7	(58.2)	2.9	3.8	(3.6)
Net income	3.1	6.5	(57.8)	5.1	6.8	(3.4)

</TABLE>

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RESULTS OF OPERATIONS

Net Sales. The Company's net sales decreased by 11.7% to \$32,966,000 in the three months ended September 30, 1996 from \$37,350,000 in the three months ended September 30, 1995. For the nine months ended September 30, 1996, net sales increased by 27.3% to \$124,563,000 from \$97,815,000 for the comparable period in 1995. The sales increase for the three and nine month periods ended September 30, 1996 over the comparable periods in 1995 is shown below by product category.

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,	NINE MONTHS ENDED SEPTEMBER 30,
--	-------------------------------------	------------------------------------

	1996	1995	1996	1995
	-----	-----	-----	-----
	(IN MILLIONS)			
<S>	<C>	<C>	<C>	<C>
Data Communications	\$ 27.1	\$ 24.3	\$108.0	\$ 48.0
Multimedia	0.3	2.2	0.7	22.8
Networking	1.8	2.8	4.9	7.0
Video Graphics	1.5	4.2	4.8	10.3
I/O, IDE, & Multiport ...	2.1	3.7	5.8	9.4
Memory	--	0.1	--	0.3
ISDN	0.1	--	0.3	--
Video Phone	0.1	--	0.1	--
	-----	-----	-----	-----
	\$ 33.0	\$ 37.3	\$124.6	\$ 97.8
	=====	=====	=====	=====

</TABLE>

The decrease in sales for the three month period ended September 30, 1996 compared to the comparable period in 1995 was attributable to decreased sales in all product categories except the Company's data communications products. The increase in sales for the nine month period ended September 30, 1996 compared to the comparable period in 1995 was attributable to increased sales of data communications products offset by a decline in sales of the Company's other product categories. Sales of product in the Company's two new product categories, ISDN and video phone, were minimal for the three month and nine month periods ended September 30, 1996. The increased sales of the Company's data communications products in the three months and nine months ended September 30, 1996 compared to the comparable periods in 1995 was primarily due to the increase in demand for the Company's 28.8 Kbps modem products. These higher speed modems are becoming increasingly popular for accessing the Internet and connecting individuals and information worldwide. The Company believes that the increased use of the Internet and on-line services is fueling the demand for modem products. The overall sales level of the Company's products is affected by pricing conditions in the industry. The decrease in sales for the three month period ended September 30, 1996 was due, in part, to industry-wide decreases in prices of the Company's

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major product, the 28.8 Kbps modem, which the Company anticipates could continue in the future.

Sales of the Company's Sound Expression multimedia product declined by \$1,900,000 for the three months ended September 30, 1996 and declined by \$22,100,000 for the nine months ended September 30, 1996 compared to the comparable periods in 1995. This is a continuation of a decline in sales of the Sound Expression product that occurred in the last six months of 1995 due to the increased use by OEMs of a chipset incorporating sound on the system board of the PC. As of September 30, 1996, net inventory includes \$500,000 of components and finished goods relating to this product line. The Company believes that there is a niche market for its 28.8 Sound Expression product and anticipates sales in this category in the future, however, at gross margin percentages below the Company's average. The decline in sales of networking, video and I/O, IDE and multiport products reflects the Company's decision to focus its sales efforts on other product categories that have more value-added features and thus the potential for higher gross profits.

Two OEM customers accounted for approximately \$12,300,000 and \$6,300,000 in sales, representing 36% and 19% respectively of net sales for the three months ended September 30, 1996. These two OEM customers for the nine month period ended September 30, 1996 accounted for approximately \$19,800,000 and \$23,800,000 in sales, representing 15% and 19%, respectively, of net sales. The Company expects that sales to these two customers for the remainder of 1996 will likely be less than in the third quarter of 1996. As of September 30, 1996 the Company had accounts receivable balances of \$12,300,000 and \$5,600,000, respectively, from these two OEM customers of which approximately \$1,600,000 was between 60 and 90 days beyond the invoice date. In addition, an international OEM customer accounted for \$13,700,000 in sales, representing 11% of net sales for the nine months ended September 30, 1996, none of which was in the third quarter. As of September 30, 1996, the Company had an accounts receivable balance of \$3,200,000 from this customer which was beyond the agreed terms. The Company believes that this customer's inventory of products purchased from the Company is at higher than normal levels, which impacted the Company's sales to this customer for the three month period ended September 30, 1996. In light of the customer's inventory levels, the Company believes that sales to this customer for the last three months of 1996 will continue to be adversely affected. A delay or default in payment by any significant customer could have a material adverse effect on the Company's results of operations or financial condition. Also, a decline in sales to a significant customer could have a

material adverse effect on the Company's results of operations or financial condition.

International sales represented 14% of net sales for the three months ended September 30, 1996 and 30% of net sales for the nine months ended September 30, 1996. International sales represented 17% of net sales for the three months ended September 30, 1995 and 16% of net sales for the nine month period ended September 30, 1995.

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The percentage of net sales attributable to OEM customers increased to 66% in the three months ended September 30, 1996 from 38% in the three months ended September 30, 1995. For the nine month period ended September 30, 1996, the percentage of net sales to OEM customers increased to 63% from 44% in the comparable period in 1995. The Company believes that sales to OEM customers will continue to represent a substantial portion of net sales.

Gross Profit. Gross profit decreased to \$6,168,000 in the three months ended September 30, 1996 from \$9,521,000 in the three months ended September 30, 1995, and decreased as a percentage of net sales to 18.7% in the three months ended September 30, 1996 from 25.5% in the three months ended September 30, 1995. As discussed above, sales to OEM customers, for which gross profit margins are typically lower, increased to 66% of net sales in the three months ended September 30, 1996 compared to 38% of net sales in the three months ended September 30, 1995. Gross profit percentage was also affected by increased price competition on the Company's major product, the 28.8 Kbps modem, and a rapid decline in selling price of certain products due to their replacement with later generation products. For the nine months ended September 30, 1996, gross profit decreased to \$25,394,000 from \$25,418,000 for the nine months ended September 30, 1995. Gross profit as a percentage of net sales decreased to 20.4% for the nine month period ended September 30, 1996 from 26.0% for the nine month period ended September 30, 1995. The decrease in gross profit percentage for the nine month period is attributable to the increase in sales to OEM customers to 63% for the nine month period ended September 30, 1996, from 44% for the nine month period ended September 30, 1995. Gross profit percentage was also affected by a write down of DRAM inventory components of \$750,000, increased inventory reserves of \$920,000, a rapid decline in selling price of certain products due to their replacement with later generation products and a decline in price of the Company's major product, the 28.8 Kbps modem.

The modem market is experiencing changing dynamics in that the supply of modem chips is more available in 1996 as contrasted to the short supply in 1995. Also, modem manufacturers are increasing production and seeking to expand their market share. These circumstances will likely result in lower selling prices for modems in the future. The Company's gross profit percentage will be dependent on the Company's ability to offset this price decrease with cost decreases on the major components.

The gross profit margins for the Company's products depend upon a number of factors, such as the degree of competition in the market for such products, the product and channel mix (wholesale distributors and retailers versus OEMs), component costs, and manufacturing efficiencies. In general, gross profit margins are higher on sales to wholesale distributors and retailers than on sales to OEMs. In addition, gross profit margins on product categories differ. Accordingly, the Company's gross profit margin has varied substantially from quarter to quarter in the past, and can be expected to continue to do so in the future. Management believes that the lower operating expenses typically associated with OEM sales generally offset their corresponding lower gross profit margins. There will be circumstances, which management anticipates will occur in the fourth quarter, in which the Company accepts lower margin sales for purposes such as to phase-out inventory, to utilize manufacturing capacity, and to increase penetration in the retail channel.

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Research and Development Expenses. Research and development expenses decreased to \$739,000 in the three months ended September 30, 1996 from \$839,000 in the three months ended September 30, 1995. As a percentage of net sales, research and development expenses were 2.2% for the three months ended September 30, 1996 and 1995. For the nine months ended September 30, 1996, research and development expenses increased to \$2,222,000 from \$2,086,000 for the nine month period ended September 30, 1995. This represented a decrease in research and development expenses as a percentage of net sales to 1.8% for the nine months ended September 30, 1996 from 2.1% of net sales for the comparable period in 1995. The decrease in research and development expenses as a percentage of net sales was primarily attributable to the fixed nature of certain research and development costs allocated over a larger sales base. Also, the Company relies on license and royalty agreements with third parties for much of its new product

development. The Company has formed alliances with Chase Research Plc, NetComm Limited, Viewpoint Systems, a wholly owned subsidiary of Multimedia Access Computer and Telesoft International, Inc. to develop ISDN, high-end network management products and video conferencing products. The Company has recently increased its staff of engineers which is anticipated to increase research and development expenses in the fourth quarter.

Selling, General, and Administrative Expenses. Selling, general and administrative expenses decreased to \$4,010,000 in the three months ended September 30, 1996 from \$4,951,000 in the three months ended September 30, 1995. Selling, general and administrative expenses as a percentage of net sales decreased to 12.2% in the three months ended September 30, 1996 from 13.3% in the three months ended September 30, 1995. Selling, general and administrative expenses increased to \$13,636,000 in the nine months ended September 30, 1996 from \$13,417,000 in the nine months ended September 30, 1995. Selling, general and administrative expenses as a percentage of net sales decreased to 10.9% in the nine months ended September 30, 1996 from 13.7% in the nine months ended September 30, 1995. The decrease in selling, general and administrative expenses as a percentage of net sales is primarily the result of increased sales to OEM customers during the three and nine month periods ended September 30, 1996, as well as the non-variable nature of certain expenses relative to sales increases. Certain selling, general and administrative expenses associated with OEM sales are typically lower than those expenses associated with sales to wholesale distributors and retailers. Selling, general and administrative expenses as a percentage of net sales will continue to fluctuate and will be influenced by the level of sales to the various channels, and the particular sales and marketing requirements of each of the channels. Expenses for employee bonuses are approximately \$708,000 less in the nine months ended September 30, 1996 compared to the comparable period in 1995 because net income performance targets are not being met. Selling, general and administrative expenses are anticipated to increase in the fourth quarter as the Company increases its sales focus and consulting fees and expenses are recorded per the October 4, 1996 Consulting Agreement entered into by the Company with ArgoQuest, Inc. The Company anticipates that it will incur fees and other expenses of at least \$100,000 monthly during the fourth quarter of 1996 in connection with this Agreement, which amount could

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increase depending on the level of sales resulting from the Agreement. See Notes to the Condensed Consolidated Financial statements for further information regarding this Agreement. Also, the terms and conditions of this Agreement are detailed in the Company's Current Report on Form 8-K filed with the Commission on October 15, 1996.

LIQUIDITY AND CAPITAL RESOURCES

In the nine months ended September 30, 1996, the Company's working capital increased by \$7,552,000 from December 31, 1995. This increase was represented by increases in cash and cash equivalents of \$1,579,000, trade receivables of \$8,698,000, other current assets of \$78,000 and a decrease in current liabilities of \$2,787,000; offset by a decrease in inventories of \$5,590,000. The Company's operations provided cash of \$2,591,000 for the nine months ended September 30, 1996. The Company's investing activities consisted of capital expenditures of \$2,193,000 during the nine months ended September 30, 1996.

The Company may from time to time experience periods of negative cash flow from operations. The Company intends to borrow under its line of credit to the extent necessary to finance cash needs. The Company had an unsecured \$7,000,000 line of credit with a commercial bank expiring on April 30, 1997. On September 12, 1996, the Company entered into a new unsecured revolving line of credit agreement expiring May 31, 1998. As of September 30, 1996, no borrowings were outstanding under this line of credit, which permits borrowings of the lesser of \$12,000,000 or 60% of qualified accounts receivable. Under the terms of the loan agreement relating to the line of credit, the Company may elect the interest rate to be either the bank's prime rate or the London InterBank Offered Rate (LIBOR) plus 1 1/2%. The loan agreement requires the Company to maintain certain financial ratios, limits the incurrence of additional debt, and prohibits payment of dividends without the bank's consent. The Company does not anticipate that borrowings will be made under the line of credit in the fourth quarter of 1996 unless there is an unexpected delay of the collection of receivables from three major customers as discussed on page 12.

The Company's trade receivables have increased at September 30, 1996 as a result of slow payments by major customers and extended credit terms. It is anticipated that these extended terms will increase the Company's investment in receivables in the future. In addition, while inventories decreased during the nine months ended September 30, 1996, increases may occur in the future to support higher sales, particularly to OEMs and management may make strategic investments in inventory to improve the flow of components to manufacturing in

order to assure timely delivery to customers. The Company intends to finance these increases through existing cash balances, cash generated from operations and borrowings under its line of credit. The Company currently believes that the combination of cash generated from operations, the Company's existing cash balances, and its line of credit will be sufficient to meet its liquidity and capital requirements through at least December 31, 1996.

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The Company's management continually reviews its financing options. The Company is considering and will continue to consider alternative financing opportunities including the issuance of equity, debt or convertible debt, if market conditions make such alternatives financially attractive methods of funding the Company's short-term or long-term needs.

CERTAIN FACTORS THAT MAY AFFECT FUTURE PERFORMANCE.

In addition to the other information contained in this Report, the following are important factors that should be considered carefully in evaluating the Company and its business.

NEW PRODUCTS, TECHNOLOGICAL CHANGES AND INVENTORY MANAGEMENT. The markets for the Company's products are characterized by rapidly changing technology, evolving industry standards and short product life cycles. The Company's success depends upon its ability to enhance its existing products and to introduce new products with features that meet changing end user requirements. Moreover, because of short product life cycles coupled with long lead times for many components used in the Company's products, the Company may not be able to quickly reduce its production or inventory levels in response to unexpected shortfalls in sales or, conversely, to increase production or inventory levels in response to unexpected demand. There can be no assurance that the Company will be successful in identifying new markets, in developing, manufacturing and marketing new products, or in enhancing its existing products, either internally or through strategic relationships with third parties. The Company's business would be adversely affected if the Company were to incur delays in developing new products or enhancing existing products, if the Company experiences delays in obtaining any required regulatory approvals for its products or if such new products or enhancements did not gain market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render the Company's products or technologies noncompetitive or obsolete.

Sales of individual products and product lines are typically characterized by rapid declines in sales, pricing and margins toward the end of the respective product's life cycle, the precise timing of which may be difficult to predict. As new products are planned and introduced, the Company attempts to monitor closely the inventory of older products and to phase out their manufacture in a controlled manner. Nevertheless, the Company could experience unexpected reductions in sales of older generation products as customers anticipate the availability of new products. These reductions could give rise to additional charges for obsolete or excess inventory, returns of older generation products by distributors or substantial price protection charges. To the extent that the Company is unsuccessful in managing product transitions, its business and operating results could be materially adversely affected.

Because all of the Company's products are used in PCs and computer networks, the Company's future operating results could be adversely affected by changes in the PC and computer networking markets, including major technological developments or fluctuations in the growth rate. In addition, there is a trend in original PC system manufacturing to integrate

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additional functionality onto the system board of the PC or to utilize chipsets which incorporate additional functionality, thereby decreasing the market for PC enhancement products. In this regard, demand for the Company's SoundExpression multimedia products declined in the last six months of 1995 and the first nine months of 1996 due to the increased use by OEMs of chipsets incorporating sound and modem features which are integrated into the system board of the PC. Any decrease in the markets for PC enhancement or networking products or reduction in the growth rates in such markets could have a material adverse effect on the Company's operating results.

POTENTIAL FLUCTUATIONS IN QUARTERLY RESULTS. The Company's quarterly operating results have varied significantly, and may continue to vary significantly, depending on a number of factors, some of which could adversely affect the Company's operating results and the trading price of the Company's Common Stock. These factors include competitive pricing pressures, the timing of

orders from and shipments to major customers, the timing of new product introductions by the Company and its competitors, the availability and pricing of components for the Company's products, the timing of phase-outs of the Company's products, variations in the Company's product mix and component costs, variations in the proportion of sales made to wholesale distributors, OEMs and retailers, product returns or price protection charges from customers, the timing of sales of the Company's products to end users by the Company's customers, seasonal promotions by the Company, its customers and competitors, economic conditions prevailing within the computer industry and economic conditions generally. Quarterly sales depend on the volume and timing of orders received during a quarter, which are difficult to forecast. Customers generally order products on an as-needed basis, and accordingly the Company has historically operated with a relatively small backlog. Moreover, as is typical for companies in the PC industry, a disproportionate percentage of the Company's net sales in any quarter are typically generated in the last month of a quarter. As a result, a shortfall in net sales in any quarter as compared to expectations may not be identifiable until the end of the quarter. In addition, from time to time, a significant portion of the Company's sales are derived from a limited number of customers, the loss of one or more of which could adversely impact operating results. There can be no assurance that the Company will be able to continue its growth in sales or sustain its profitability on a quarterly or annual basis. The Company's expense levels are based, in part, on its expectations as to future sales. If sales levels are below expectations, operating results may be adversely affected, which would likely have an adverse effect on the trading price of the Company's Common Stock.

ACQUISITIONS. The Company may from time to time pursue the acquisition of other companies, assets, technologies or product lines that would complement or expand its existing business. Certain of these acquisitions may involve businesses in which the Company lacks experience. Acquisitions involve a number of risks that could adversely affect the Company's operating results, including the diversion of management's attention, the assimilation of the operations, products and personnel of the acquired companies, the amortization of acquired intangible assets and the potential loss of key employees of the acquired companies. There can be no assurance that the Company will be able to identify businesses that would complement or

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expand its existing business or complete such acquisitions, manage one or more acquisitions successfully, or that the Company will be able to integrate the operations, products or personnel gained through such acquisition without a material adverse impact on the Company's business, financial condition and results of operations, particularly in the quarters immediately following such acquisitions.

INTERNATIONAL OPERATIONS. The Company's international sales are subject to the risks inherent in international sales, including various regulatory requirements (including the need to obtain certifications for the Company's data communications products), political and economic changes and disruptions, tariffs or other barriers, difficulties in staffing and managing foreign operations, and potentially adverse tax consequences. In addition, fluctuations in exchange rates may render the Company's products less competitive relative to local product offerings or expose the Company to foreign currency exchange losses. One or more of these factors may have a material adverse effect on the Company's future international sales and, consequently, on the Company's operating results.

DEPENDENCE ON SUPPLIERS. The major components of the Company's products include circuit boards, microprocessors, chipsets and memory components. Most of the components used in the Company's products are available from multiple sources. However, certain components used in the Company's products are currently obtained from single sources. Certain modem chipsets used in the Company's data communications products have been in short supply and are frequently on allocation by semiconductor manufacturers. Similar to others in the computer industry, the Company has, from time to time, experienced difficulty in obtaining certain components. The Company has no guaranteed supply arrangements with any of its suppliers and there can be no assurance that these suppliers will continue to meet the Company's requirements. Shortages of components not only limit the Company's production capacity but also could result in higher costs due to the higher costs of components in short supply or the need to utilize higher cost substitute components. An extended interruption in the supply of any of these components or a reduction in their quality or reliability would have a material adverse effect on the Company's operating results. While the Company believes that with respect to its single source components it could obtain similar components from other sources, it could be required to alter product designs to use alternative components. There can be no assurance that severe shortages of components will not occur in the future which could increase the cost or delay the shipment of the Company's products and have a material adverse effect on the Company's operating results. Significant increases in the prices of these components could also have a material adverse

effect on the Company's operating results since the Company may not be able to adjust product pricing to reflect the increases in component costs. Moreover, a number of components for the Company's products are obtained from foreign suppliers. Increases in tariffs on such components or fluctuations in exchange rates could result in increases in the prices paid by the Company for these components, which could impact the Company's ability to compete with foreign manufacturers and have a material adverse effect on the Company's operating results.

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SALES CHANNEL RISKS. The Company sells its products to OEMs, national, regional and international wholesale distributors and retailers and catalog companies. Sales to OEMs accounted for approximately 63% of net sales in the nine months ended September 30, 1996. OEMs have significantly different requirements, and in most cases, more stringent purchasing procedures and quality standards than wholesale distributors and other resellers. There can be no assurance that the Company will continue to be successful in developing products for, and delivering products to, the OEM market, or that it will be successful in establishing and maintaining an effective distribution and customer support system for OEMs. The Company's business could be adversely affected if it is unsuccessful in developing, manufacturing and marketing products for sale to OEMs. In addition, OEMs may require special distribution arrangements and product pricing, which could have a material adverse effect on the Company's operating results. In the nine months ended September 30, 1996, the Company's three largest OEM customers accounted for approximately 45% of the Company's net sales. A decline in sales to either of these customers or a delay or default in payment by either customer could have a material adverse effect on the Company's results of operations or financial condition.

The Company's three largest wholesale distributors accounted for approximately 14% of the Company's net sales in the nine months ended September 30, 1996. The PC distribution industry has been characterized by rapid change, including consolidations and financial difficulties of wholesale distributors and the emergence of alternative distribution channels. The Company is dependent upon the continued viability and financial stability of its wholesale distributors. The loss or ineffectiveness of any of the Company's three largest wholesale distributors or a number of its smaller wholesale distributors could have a material adverse effect on the Company's operating results. In addition, an increasing number of vendors are competing for access to wholesale distributors which could adversely affect the Company's ability to maintain its existing relationships with its wholesale distributors or could negatively impact sales to such distributors.

COMPETITION. The markets for the Company's products are intensely competitive resulting in constant pricing pressures. Some of the Company's competitors have significantly greater financial, technical, product development, manufacturing or marketing resources than the Company. The Company believes that its ability to compete depends on a number of factors, including price, product quality and reliability, product availability, credit terms, name recognition, delivery time, and post-sale service and support. There can be no assurance that the Company will be able to continue to compete successfully with respect to these factors. A variety of companies currently offer products that compete directly with the Company's products. These competitors could introduce additional products or add features to their existing products that are superior to the Company's products or that achieve greater market acceptance. In addition to U.S.-based firms, the Company faces competition from Pacific Rim suppliers which generally offer products at significantly lower prices. The introduction of lower priced competitive products or significant price reductions by the Company's competitors would result in price reductions in the Company's products that could have a material adverse effect on the Company's operating results. In addition, as the Company enters into new product

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markets, such as ISDN, cable modems and videoconferencing, the Company anticipates that it will encounter competition from a number of well-established companies, many of which have greater financial, technical, product development, manufacturing or marketing resources and experience.

MANAGEMENT OF GROWTH. In recent years, the Company has experienced significant growth and expansion in the overall level of its business and scope of operations, including sales and distribution, research and development, marketing and technical support. The Company's ability to manage its growth will require it to continue to invest in its operations and to retain, motivate and effectively manage its employees. If the Company's management is unable to manage growth effectively, the Company's results of operations could be materially and adversely affected.

PROPRIETARY RIGHTS; DEPENDENCE ON SOFTWARE LICENSES. Although the Company has not historically been the subject of significant claims of infringement by third parties, the Company receives from time to time, and may receive in the future, communications from third parties asserting intellectual property rights relating to the Company's products and technologies. There can be no assurance that in the future the Company will be able to obtain licenses of any intellectual property rights owned by third parties with respect to the Company's products or that any such licenses can be obtained on terms favorable to the Company. If the Company is unable to obtain licenses of protected technology, it could be prohibited from manufacturing and marketing products incorporating that technology. The Company could also incur substantial costs in redesigning its products or in defending any legal action taken against it. Should the Company be found to infringe the proprietary rights of others, the Company could be required to pay damages to the infringed party which could have a material adverse effect on the Company's operating results.

In certain of its products, the Company includes software licensed from third parties. The Company's operating results could be adversely affected by a number of factors relating to this third party software, including lack of market acceptance, failure by the licensors to promote or support the software, delays in shipment of the Company's products as a result of delays in the introduction of licensed software or errors in the licensed software, or excess customer support costs or product returns experienced by the Company due to errors in the licensed software. Moreover, any impairment or termination of the Company's relationship with any licensors of third party software could have a material adverse effect on the Company's operating results.

RELIANCE ON CENTRALIZED MANUFACTURING. All of the Company's manufacturing occurs at its leased headquarters facility in Boca Raton, Florida. The Company's manufacturing operations utilize certain equipment which, if damaged or otherwise rendered inoperable, would result in the disruption of the Company's manufacturing operations. Although the Company maintains business interruption insurance which the Company believes is adequate, any

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extended interruption of the operations at this facility would have a material adverse effect on the Company's operating results.

PRODUCT RETURNS, PRICE PROTECTION AND WARRANTY CLAIMS. Like other manufacturers of computer products, the Company is exposed to the risk of product returns from wholesale distributors and retailers, either through contractual stock rotation privileges or as a result of the Company's interest in assisting customers in balancing inventories. Although the Company attempts to monitor and manage the volume of sales to wholesale distributors and retailers, large shipments in anticipation of sales by wholesale distributors and retailers can lead to substantial overstocking by the Company's wholesale distributors and retailers and to higher than normal returns. Moreover, the risk of product returns may increase if demand for the Company's products declines. When the Company reduces its prices, the Company credits its wholesale distributors and retailers for the difference between the purchase price of products remaining in their inventory and the Company's reduced price for such products on terms negotiated with the Company, the result of which could have a material adverse effect on the Company's operating results. The Company's limited five-year warranty permits customers to return any product for repair or replacement if the product does not perform as warranted. The Company to date has not encountered material warranty claims or liabilities. The Company seeks to continually introduce new and enhanced products, which could result in higher product returns and warranty claims due to the risks inherent in the introduction of such products. The Company has established reserves for product returns, price protection and warranty claims which management believes are adequate. There can be no assurance that product returns, price protection and warranty claims will not have a material adverse effect on future operating results.

VOLATILITY OF STOCK PRICE. The price of the Company's Common Stock historically has been volatile due to fluctuations in operating results and other factors relating to the Company's operations, the market's changing expectations for the Company's growth, overall equity market conditions relating to the market for technology stocks generally and other factors unrelated to the Company's operations, including announcements by or relating to the Company's competitors. Such fluctuations are expected to continue. In addition, stock markets have experienced more price volatility in recent years. This volatility has had a substantial effect on the market prices of securities issued by many technology companies, often for reasons unrelated to the operating performance of the specific companies.

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BOCA RESEARCH, INC.
OTHER INFORMATION

Items 1-3.

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the quarter ended September 30, 1996.

Item 5. Other information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

- 10 First Union Line of Credit Agreement
- 11 Calculation of shares used in determining earnings per share.
- 27 Financial Data Schedule

(b) Reports on Form 8-K

On October 15, 1996, the Company filed a Current Report on Form 8-K with the Securities and Exchange Commission reporting under Item 5 of Form 8-K the execution and delivery of the Consulting Agreement between the Company and ArgoQuest, Inc.

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BOCA RESEARCH, INC.

SIGNATURES

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

Dated: November 12, 1996

/s/ Anthony F. Zalenski

Anthony F. Zalenski
President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 12, 1996

/s/ R. Michael Brewer

R. Michael Brewer
Vice President - Finance and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

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BOCA RESEARCH, INC.

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SECOND AMENDED REVOLVING CREDIT AGREEMENT

BETWEEN

BOCA RESEARCH, INC.
BOCA RESEARCH INTERNATIONAL, INC.
BOCA RESEARCH HOLLAND B.V., INC.
COMPLETE ACQUISITION CORP.
BOCA RESEARCH OF DELAWARE, INC.

COLLECTIVELY, "BORROWER"

AND

FIRST UNION NATIONAL BANK OF FLORIDA
"BANK"

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SECOND AMENDED REVOLVING CREDIT AGREEMENT

THIS SECOND AMENDED REVOLVING CREDIT AGREEMENT (the "Agreement"), dated

as of _____, 1996 between BOCA RESEARCH, INC., A FLORIDA CORPORATION, BOCA RESEARCH INTERNATIONAL, INC., A VIRGIN ISLANDS CORPORATION, BOCA RESEARCH HOLLAND B.V., INC., A NETHERLANDS CORPORATION, COMPLETE ACQUISITION CORP., A FLORIDA CORPORATION, AND BOCA RESEARCH OF DELAWARE, INC., A DELAWARE CORPORATION (collectively the "Borrower"), and FIRST UNION NATIONAL BANK OF FLORIDA, a national banking association (the "Bank");

W I T N E S S E T H :

In consideration of the premises and of the mutual covenants herein contained and to induce the Bank to extend credit to the Borrower, the parties agree as follows:

1. DEFINITIONS. In addition to terms defined elsewhere in this Agreement, the following terms have the meanings indicated:

1.1 Defined Terms.

"Account" shall mean any account receivable, including any rights of payment for goods sold or leased or for services rendered, which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance, and in addition includes all property included in the definition of "accounts" as used in the Code, together with any guaranties, letters of credit and other security therefor.

"Account Debtor" shall mean a Person who is obligated under any Account, Chattel Paper, General Intangible or instrument (as instrument is defined in the Code).

"Advance" shall mean an advance of proceeds of the Revolving Loan to the Borrower pursuant to this Agreement, on any given Advance Date and shall include any LIBOR Advance or any Prime Rate Advance. All Advances must be in a principal amount of at least \$100,000.00.

"Advance Date" shall mean the date as of which an Advance is made.

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"Advance Request" shall mean the written request for an Advance under the Revolving Loan as identified in Section 3.3 ("Manner of Borrowing and Disbursement") and shall among other things (i) specify the date of the requested Advance, which shall be a Business Day; (ii) specify the amount of the Advance; (iii) specify the applicable Interest Rate Basis for the Advance hereof; and (iv) include the Borrowing Base Report Specified in Section 5.6(a).

"Affiliate" of a named Person shall mean (a) any Person owning 5% or more of the voting stock or rights of such named Person or of which the named Person owns 5% or more of such voting stock or rights; (b) any Person controlling, controlled by or under common control with such named Person; (c) any officer or director of such named Person or any Affiliates of the named Person; and (d) any family member of the named Person or any Affiliate

of such named Person.

"Borrowing Base" shall have the meaning set forth in Section 3.2 hereof ("Limitations on Advances").

"Business Day" shall mean a weekday on which commercial banks are open for business in Jacksonville, Florida.

"Chattel Paper" shall mean all writing or writings which evidence both a monetary obligation and a security interest in or the lease of specific goods and in addition includes all property included in the definition of "chattel paper" as used in the Code, together with any guaranties, letters of credit and other security therefor.

"Code" shall mean the Uniform Commercial Code, as in effect in Florida from time to time.

"Debt" shall mean all liabilities of a Person as determined under generally accepted accounting principles and all obligations which such Person has guaranteed or endorsed or is otherwise secondarily or jointly liable, and shall include, without limitation: (a) all obligations for borrowed money or purchased assets, (b) obligations secured by assets whether or not any personal liability exists, (c) the capitalized amount of any capital or finance lease obligations, (d) the unfunded portion of pension or benefit plans or other similar liabilities,

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(e) obligations as a general partner, (f) contingent obligations pursuant to guaranties, endorsements, letters of credit and other secondary liabilities, (g) obligations for deposits, and (h) overdrafts of any account maintained by Borrower with the Bank.

"Default Rate" shall mean the highest lawful rate of interest per annum specified in any Note to apply after a default under such Note or, if no such rate is specified, a rate equal to the lesser of (a) five (5) percentage points above the Prime Rate Basis or (b) the highest rate of interest allowed by law.

"Eligible Accounts" shall mean all Accounts (valued net of any sales tax included in the invoiced amount, the maximum amount of any discounts or other reductions) arising from the sale of Inventory by the Borrower payable not more than sixty (60) days after the date of invoice subject only to Permitted Liens, excluding (a) Accounts outstanding for sixty (60) days or more from the date of invoice; (b) all Accounts owed by an Account Debtor if more than 25% of the Accounts owed by such Account Debtor (or any Affiliate) to the Borrower are ineligible because they are aged beyond 90 days; (c) Accounts owing from any Affiliate of the Borrower; (d) Accounts owed by a creditor of the Borrower or which are in dispute or subject to any counterclaim, contra-account or offset; (e) Accounts owing by any Account debtor which is insolvent or

generally unable to pay its debts as they become due; (f) Accounts arising from a sale on a bill-and-hold, guaranteed sale, sale-or-return, sale-on-approval, consignment or similar basis or which is subject to repurchase, return, rejection, repossession, loss or damage; (g) Accounts owed by the United States of America unless the Borrower shall have complied with the federal Assignment of Claims Act; (h) Accounts as to which the goods giving rise to the Account have not been delivered to and accepted by the Account Debtor or the service giving rise to the Account has not been completely performed or which do not represent a final sale; (i) the total Accounts owed by an Account Debtor and its Affiliates exceeds a credit limit established by the Bank in its discretion (to the extent of such excess); (j) an Account which is evidenced by a note or other instrument, or Chattel Paper or reduced to judgment; (k) the total unpaid Accounts of the Account Debtor and its Affiliates which exceed 25% of the total Accounts of the Borrower (to the extent of such excess); (l) Accounts which, by contract, subrogation, mechanics' lien laws or otherwise, are

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subject to claims by the Borrower's creditors or other third parties or which are owed by Account Debtors as to whom any creditor of the Borrower (including any bonding company) has lien rights; (m) Accounts owed by any foreign customers or debtors unless they are 100% guaranteed by a letter of credit, Ex-IM or covered by other insurance acceptable to Bank, and all other requirements for Eligible Accounts herein have been satisfied; and (n) Accounts of the type described in Exhibit 1.1B (if any) and other Accounts the validity, collectibility or amount of which is determined in good faith by the Borrower or the Bank to be doubtful. No Accounts shall be Eligible Accounts if any representation, warranties or covenants herein relating thereto shall be in default.

"Equipment" shall mean all furniture, fixtures, equipment, motor vehicles, rolling stock and other tangible property of a Person of every description, except Inventory and in addition includes all property included in the definition of "equipment" as used in the Code.

"Event of Default" shall mean any event specified as such in Section 6.1 hereof ("Events of Default"), provided that there shall have been satisfied any requirement in connection with such event for the giving of notice or the lapse of time, or both; "Default" or "default" shall mean any of such events, whether or not any such requirement for the giving of notice or the lapse of time or the happening of any further condition, event or act shall have been satisfied.

"General Intangibles" shall mean all intangible personal property (including things in action) except Accounts, Chattel Paper and instruments (as defined in the Code), including all contract rights, copyrights, trademarks, trade names, service marks, patents, patent drawings, designs, formulas, rights to a Person's name itself, customer lists, rights to

all prepaid expenses, marketing expenses, rights to receive future contracts, fees, commissions and orders relating in any respect to any business of a Person, all licenses and permits, all computer programs and other software owned by a Person, or which a Person has the right to use, and all rights for breach of warranty or other claims for funds to which a Person may be entitled, and in addition includes all property included in the definition of "general intangibles" as used in the Code.

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"Guarantor" shall mean collectively, any Person now or hereafter guaranteeing, endorsing or otherwise becoming liable for any Indebtedness.

"Indebtedness" shall mean all obligations now or hereafter owed to the Bank by the Borrower, whether related or unrelated to the Loan, including, without limitation, amounts owed or to be owed under the terms of the Loan Documents, or arising out of the transactions described therein, including, without limitation, the Loan, sums advanced to pay overdrafts on any account maintained by the Borrower with the Bank, reimbursement obligations for outstanding letters of credit, or banker's acceptances issued to the account of the Borrower, or its Subsidiaries, amounts paid by the Bank under letters of credit, or drafts accepted by the Bank for the account of the Borrower or its Subsidiaries, together with all interest accruing thereon, all fees, all costs of collection, attorneys' fees and expenses of or advances by the Bank which the Bank pays or incurs in discharge of obligations of the Borrower, whether such amounts are now due or hereafter become due, direct or indirect and whether such amounts due are from time to time reduced or entirely extinguished and thereafter re-incurred.

"Interest Period" shall mean, relative to any LIBOR Advance, the period which shall begin on (and include) the date on which such LIBOR Advance is made and, unless the maturity of such LIBOR Advance is accelerated, shall end on (but exclude) for any LIBOR Advance, the day which numerically corresponds to such date one (1) month thereafter. Notwithstanding the foregoing, however, (a) any applicable Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless, with respect to a LIBOR Advance, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day, (b) with respect to a LIBOR Advance, any applicable Interest Period which begins on a day for which there is no numerically corresponding day in the calendar month during which such Interest Period is to end shall (subject to clause (a) above) end on the last day of such calendar month, and (c) no Interest Period shall extend beyond the Maturity Date. Interest shall be due and payable with respect to any Advance as provided in Section 3.8 hereof.

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"Interest Rate Basis" shall mean the Prime Rate Basis or LIBOR Basis, as appropriate.

"Inventory" means all goods, merchandise and other personal property of a Person which is held for sale or lease or furnished or to be furnished under a contract for services or raw materials, and all work in process and materials used or consumed or to be used or consumed in a Person's business, and in addition, includes all property included in the definition of "inventory" as used in the Code.

"LIBOR" shall mean, for any other Interest Period, that per annum interest rate equal to the London Interbank Offered Rate shown on the Telerate Screen Page 3750, British Bankers Association Interest Settlement Rate, at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period for deposits of United States Dollars for a period of time comparable to the Interest Period for, and in an amount comparable to the principal amount of, the LIBOR Advance sought by the Borrower. In the event the Telerate Screen Page 3750 is unavailable for any reason, "LIBOR" shall mean, for any Interest Period, the average (rounded upward to the next higher 1/100 of one (1) percent) of the interest rates per annum at which United States Dollars for such Interest Period are offered to three (3) major commercial banks selected by Bank in the London Interbank Borrowing Market at approximately 11:00 a.m. (Eastern time) two (2) Business Days prior to the first day of such Interest Period for a period of time comparable to the Interest Period for, and in an amount comparable to, the LIBOR Advance sought by the Borrower.

"LIBOR Advance" shall mean an Advance which the Borrower requests to be made as a LIBOR Advance or which is reborrowed as a LIBOR Advance, in accordance with the provisions of Section 3.3 hereof, and which shall be in a principal amount of at least \$100,000.00 and in an integral multiple of \$100,000.00 in excess thereof.

"LIBOR Basis" shall mean a simple per annum interest rate equal to the sum of (a) the quotient of (i) LIBOR divided by (ii) a percentage equal to one hundred percent (100%) minus the LIBOR Reserve Percentage, plus (b) one and one-half percent (1.5%). The LIBOR Basis shall be rounded upward to the next higher 1/100 of one (1) percent.

"LIBOR Reserve Percentage" shall mean the percentage which is in effect from time to time under Regulation D of the Board of Governors of the Federal Reserve System, as such regulation may be amended from time to time, as the maximum reserve requirement applicable with respect to Eurocurrency Liabilities (as that term is defined in Regulation D), whether or not any Lender has any Eurocurrency Liabilities subject to such reserve

requirement at that time. The LIBOR Basis for any LIBOR Advance shall be adjusted as of the effective date of any change in the LIBOR Reserve Percentage.

"Lien" (collectively "Liens") shall mean any mortgage, pledge, statutory lien or other lien arising by operation of law, security interest, trust arrangement, financing lease, collateral assignment or other encumbrance, or any segregation of assets or revenues (whether or not constituting a security interest) with respect to any present or future assets, revenues or rights to the receipt of income of the Person referred to in the context in which the term is used.

"Loan" shall mean the Revolving Loan identified in Section 3.1 hereof.

"Loan Documents" shall mean this Agreement, any Note, the Advance Requests, and all other documents and instruments now or hereafter evidencing or describing the Indebtedness contemplated hereby or delivered in connection herewith, as they may be modified.

"Maturity Date" shall mean May 31, 1998 or such earlier date the Loan shall be due and payable by acceleration or otherwise.

"Maximum Loan Amount" shall mean Twelve Million and 00/100 Dollars (\$12,000,000.00) or such other amount as the Bank may consent to in writing from time to time.

"Note" shall mean the Revolving Note as defined in Section 3.1 hereof and any other promissory note now or hereafter evidencing any Indebtedness, and all modifications, extensions and renewals thereof.

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"Permitted Debt" shall mean (a) the Indebtedness; and (b) any other Debt listed on Exhibit 1.1C hereto (if any) and any extensions, renewals, replacements, modifications and refundings of any such Debt if, and to the extent, permitted by Exhibit 1.1C; provided, however, that the principal amount of such Debt may not be increased from the amount shown as outstanding on such exhibit; and (c) such other Debt as the Bank may consent to in writing from time to time.

"Permitted Liens" shall mean (a) Liens securing the Indebtedness; (b) Liens for taxes and other statutory Liens, landlord's Liens and similar Liens arising out of operation of law, so long as the obligations secured thereby are not past due or are being contested as permitted herein; (c) Liens described on Exhibit 1.1D hereto (if any), provided, however, that no debt not now secured by such Liens shall become secured by such Liens hereafter and such Liens shall not encumber any other assets; and (d) such other Liens as the

Bank may consent to in writing from time to time.

"Person" shall mean any natural person, corporation, unincorporated organization, trust, joint-stock company, joint venture, association, company, limited or general partnership, any government, or any agency or political subdivision of any government.

"Prime Rate" shall mean, at any time, the rate of interest adopted by the Lender as its reference rate for the determination of interest rates for loans of varying maturities in United States dollars to United States residents of varying degrees of creditworthiness and being quoted at such time by the Lender as its "prime rate." The Prime Rate is not necessarily the lowest rate of interest charged to borrowers by the Lender. Any change in the Prime Rate shall take effect immediately on and at the start of the date on which such change is established.

"Prime Rate Advance" shall mean an Advance which the Borrower requests to be made as a Prime Rate Advance or which is reborrowed as, a Prime Rate Advance in accordance with the provisions of Section 3.3 hereof, and which shall be in a principal amount of at least \$100,000.00 and \$100,000.00 increments in excess thereof.

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"Prime Rate Basis" shall mean a simple per annum interest rate equal to the sum of the Prime Rate. Prime Rate Basis shall be adjusted automatically as of the opening of business on the effective date of each change in the Prime Rate to account for such change.

"Special Loan Account" shall mean the demand deposit account established pursuant to Section 3.16 hereof ("Special Loan Account").

"Subsidiary" shall mean any corporation, partnership or other Person in which the Borrower, directly or indirectly, owns fifty percent (50%) or more of the stock, capital or income interests, or other beneficial interests, or which is effectively controlled by the Borrower and shall include, but not be limited to, Boca Research International, Inc., Boca Research Holland B.V., Inc., Complete Acquisition Corp. and Boca Research of Delaware, Inc.

1.2 Financial Terms. All financial terms used herein shall have the meanings assigned to them under generally accepted accounting principles unless another meanings shall be specified.

2. REPRESENTATIONS AND WARRANTIES. In order to induce the Bank to enter into this Agreement and to make the Loan provided for herein, the Borrower makes the following representations and warranties, all of which shall survive the

execution and delivery of the Loan Documents. Unless otherwise specified, such representations and warranties shall be deemed made as of the date hereof and as of the Advance Date of any Advance by the Bank to the Borrower:

2.1 Valid Existence and Power. The Borrower and each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization is duly qualified or licensed to transact business in all places where the failure to be so qualified would have a material adverse effect on it. The Borrower and each other Person which is a party to any Loan Document (other than the Bank) has the power to make and perform the Loan Documents executed by it and all such instruments will constitute the legal, valid and binding obligations of such Person, enforceable in accordance with their

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respective terms, subject only to bankruptcy and similar laws affecting creditors' rights generally.

2.2 Authority. The execution, delivery and performance thereof by the Borrower and each other Person (other than the Bank) executing any Loan Document have been duly authorized by all necessary action of such Person, and do not and will not violate any provision of law or regulation, or any writ, order or decree of any court or governmental or regulatory authority or agency or any provision of the governing instruments of such Person, and do not and will not, with the passage of time or the giving of notice, result in a breach of, or constitute a default or require any consent under, or result in the creation of any Lien upon any property or assets of such Person pursuant to, any law, regulation, instrument or agreement to which any such Person is a party or by which any such Person or its respective properties may be subject, bound or affected.

2.3 Financial Condition. Other than as disclosed in financial statements delivered on or prior to the date hereof to the Bank, neither the Borrower nor any Subsidiary has any direct or contingent obligations or liabilities (including any guarantees or leases) or any material unrealized or anticipated losses from any commitments of such Person except as described on Exhibit 2.3 (if any). The Borrower is not aware of any material adverse fact (other than facts which are generally available to the public and not particular to the Borrower, such as general economic or industry trends) concerning the conditions or future prospects of the Borrower or any Subsidiary which has not been fully disclosed to the Bank, including any adverse change in the operations or financial condition of such Person since the date of the most recent financial statements delivered to the Bank.

2.4 Litigation. Except as disclosed on Exhibit 2.4 (if any), there are no suits or proceedings pending, or to the knowledge of the Borrower threatened, before any court or by or before any governmental or regulatory

authority, commission, bureau or agency or public regulatory body against or affecting the Borrower or any Subsidiary, or their assets, which if adversely determined would have a material adverse effect on the financial condition or business of the Borrower or such Subsidiary.

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2.5 Agreements, Etc. Neither the Borrower nor any Subsidiary is a party to any agreement or instrument or subject to any court order, governmental decree or any charter or other corporate restriction, adversely affecting its business, properties or assets, operations or condition (financial or otherwise) nor is any such Person in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party, or any law, regulation, decree, order or the like.

2.6 Authorizations. All authorizations, consents, approvals and licenses required under applicable law or regulation for the ownership or operation of the property owned or operated by the Borrower or any Subsidiary or for the conduct of any business in which it is engaged have been duly issued and are in full force and effect, and Borrower and any Subsidiary is not in default, nor has any event occurred which with the passage of time or the giving of notice, or both, would constitute a default, under any of the terms or provisions of any part thereof, or under any order, decree, ruling, regulation, closing agreement or other decision or instrument of any governmental commission, bureau or other administrative agency or public regulatory body having jurisdiction over such Person, which default would have a material adverse effect on such Person. Except as noted herein, no approval, consent or authorization of, or filing or registration with, any governmental commission, bureau or other regulatory authority or agency is required with respect to the execution, delivery or performance of any Loan Document.

2.7 Title. The Borrower and each Subsidiary has good title to all of the assets shown in its financial statements free and clear of all Liens, except Permitted Liens.

2.8 Intentionally deleted.

2.9 Location. The chief executive office of the Borrower where the Borrower's business records are located is the address designated for notices in Section 7.4 ("Notices") and the Borrower has no other places of business except as shown on Exhibit 2.9 (if any).

2.10 Taxes. The Borrower and each Subsidiary has filed all federal and state income and other tax returns which, to the

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best knowledge of the Borrower, are required to be filed, and have paid all taxes as shown on said returns and all taxes, including ad valorem taxes, shown on all assessments received by it to the extent that such taxes have become due. Neither the Borrower nor any Subsidiary is subject to any federal, state or local tax Liens nor has such Person received any notice of deficiency or other official notice to pay any taxes. The Borrower and each Subsidiary has paid all sales and excise taxes payable by it.

2.11 Withholding Taxes. The Borrower and each Subsidiary has paid all withholding, FICA and other payments required by federal, state or local governments with respect to any wages paid to employees.

2.12 Labor Law Matters. No goods or services have been or will be produced by the Borrower or any Subsidiary in violation of any applicable labor laws or regulations or any collective bargaining agreement or other labor agreements or in violation of any minimum wage, wage-and-hour or other similar laws or regulations.

2.13 Accounts. Each Account, instrument, Chattel Paper and other writing is (a) genuine and enforceable in accordance with its terms except for such limits thereon arising from bankruptcy and similar laws relating to creditors' rights; (b) not subject to any defense, setoff, claim or counterclaim of a material nature against the Borrower except as to which the Borrower has notified the Bank in writing; and (c) not subject to any other circumstances that would impair the validity, enforceability or amount of such Account, instrument, Chattel Paper or other writing, except as to which the Borrower has notified the Bank in writing. Each Account included in any Advance Request, report or other document as an Eligible Account meets all the requirements of an Eligible Account set forth herein.

2.14 Intentionally deleted.

2.15 Judgment Liens. Neither the Borrower nor any Subsidiary, nor any of their assets, are subject to any unpaid judgments (whether or not stayed) or any judgment liens in any jurisdiction.

2.16 Intent and Effect of Transactions. This Agreement and the transactions contemplated herein (a) are not made or incurred with intent to hinder, delay or defraud any person to whom the Borrower or any Subsidiary has been, is now, or may hereafter become indebted; (b) do not render the Borrower or any Subsidiary insolvent nor is the Borrower or any Subsidiary insolvent on the date of this Agreement; (c) do not leave the Borrower or any Subsidiary with an unreasonably small capital with which to engage in its business or in any business or transaction in which it intends to engage; and (d) are not entered into with the intent to incur, or with the belief that the Borrower or any Subsidiary would incur, debts that would be beyond its ability to pay as such

debts mature.

2.17 Subsidiaries. The Borrower's Subsidiaries are listed on Exhibit 2.17.

2.18 Hazardous Materials. The Borrower's property and improvements thereon have not in the past been used, are not presently being used, and will not in the future be used for, nor does the Borrower or any Subsidiary engage in, the handling, storage, manufacture, disposition, processing, transportation, use or disposal of hazardous or toxic materials, except for those hazardous materials referenced on Exhibit 2.18.

2.19 ERISA. The Borrower has furnished to the Bank true and complete copies of the latest annual report required to be filed pursuant to Section 104 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), with respect to each employee benefit plan or other plan maintained for employees of the Borrower or any Subsidiary and covered by Title IV of ERISA (a "Plan"), and no Termination Event (as hereinafter defined) with respect to any Plan has occurred and is continuing. For the purposes of this Agreement, a "Termination Event" shall mean a "reportable event" as defined in Section 4043(b) of ERISA ("Reportable Event"), or the filing of a notice of intent to terminate under Section 4041 of ERISA. Neither the Borrower nor any Subsidiary has any unfunded liability with respect to any such plan.

2.20 Investment Company Act. Neither the Borrower nor any Subsidiary is an "investment company" as defined in the Investment Company Act of 1940, as amended.

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2.21 Additional Representations. Any additional representations or warranties set forth on Exhibit 2.21 (if any) hereto are true and correct in all material respects.

3. THE LOAN.

3.1 Discretionary Revolving Loan. The Bank may in its discretion lend to the Borrower a total principal amount not to exceed the Maximum Loan Amount (the "Revolving Loan") for working capital to be used in the operation of the Borrower's business and to issue letters of credit. The Revolving Loan shall be evidenced by and payable in accordance with the terms of a promissory note in the face amount of the Maximum Loan Amount (the "Revolving Note"). The Revolving Note shall evidence the outstanding principal balance of the Revolving Loan, as it may change from time to time. ADVANCES HEREUNDER ARE DISCRETIONARY WITH THE BANK AND THE OUTSTANDING PRINCIPAL BALANCE TOGETHER WITH ALL ACCRUED AND UNPAID INTEREST UNDER THE REVOLVING LOAN, OR SO MUCH THEREOF AS MAY BE ADVANCED, SHALL BE PAYABLE IN FULL ON THE MATURITY DATE. Advances under the Revolving Loan shall be subject to the following terms:

(a) Advances of proceeds of the Revolving Loan plus any outstanding letters of credit issued by the Bank shall be limited to the lesser of the Maximum Loan Amount or the Borrowing Base.

(b) Should there occur any overdraft of any deposit account maintained by the Borrower with the Bank, the Bank may, at its option, disburse funds (whether or not in excess of the Maximum Loan Amount) to eliminate such overdraft and such disbursement shall be deemed an Advance of Loan proceeds hereunder entitled to all of the benefits of the Loan Documents. Nothing herein shall be deemed an authorization of or consent to the creation of an overdraft in any account or create any obligations on the part of the Bank;

(c) All Advances by the Bank to or for the account of the Borrower, whether or not in excess of the Maximum Loan Amount, shall be considered part of the Indebtedness under the Revolving Note, and shall bear interest as provided in the Revolving Note and herein, and shall be entitled to all rights and benefits hereunder and under all other Loan Documents; and

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(d) The Borrower shall not request and the Bank will not be required to consider requests for Advances after May 31, 1998; provided that the Bank may in its discretion extend such date in writing and further provided that the repayment obligations of the Borrower for Advances made by the Bank after such date (as it may be extended) shall be binding on the Borrower and any other persons liable for any Indebtedness to the same extent as obligations with respect to Advances made prior to such date.

3.2 Limitations on Advances. The outstanding balance of the Revolving Loan may increase and decrease from time to time, and Advances thereunder may be repaid and reborrowed, but the total of Advances outstanding at any one time under the Revolving Loan, plus any outstanding letters of credit issued by the Bank, shall never exceed the lesser of:

(a) The Maximum Loan Amount; or

(b) The "Borrowing Base," which shall be equal to Sixty Percent (60%) of Eligible Accounts. Notwithstanding anything to the contrary, at no time shall the Advances outstanding together with any letters of credit issued and outstanding by the Bank exceed sixty percent (60%) of the Eligible Accounts. The Borrower shall immediately pay to the Bank any amount by which the Revolving Loan exceeds the Borrowing Base or the Maximum Loan Amount, whichever is less. The Bank may, in its discretion, make, or permit to remain outstanding, Advances to the Borrower in excess of the Borrowing Base and/or the Maximum Loan Amount and all such amounts shall be part of the Revolving Loan and Indebtedness, shall bear interest as provided in the Note, shall be payable on demand and shall be entitled to all rights provided for herein, and in all of the other Loan Documents.

(a) Choice of Interest Rate. Borrower may, in accordance with and subject to the terms and conditions of this Section 3.3, select either the Prime Rate Basis interest rate or the LIBOR Basis interest rate to apply to the amount outstanding under the Note. Only one interest rate shall be applicable to the Note at any one time, and Borrower may not select portions of the

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Note to be subject to differing interest rates. If a LIBOR Basis interest rate is selected, such rate shall apply for the duration of the Interest Period selected. Notices of any selection, conversion, or continuation of an interest rate must be provided to Bank three (3) business days prior to the date of the selection, conversion, or continuation of such interest rate. All such notices shall be by telephone or telecopier, confirmed immediately in writing, specifying, within the restrictions specified herein, the date of such selection, conversion, or continuation, whether the interest rate is to be based on the Prime Rate Basis or the LIBOR Basis. Each notice of selection, conversion, or continuation shall be irrevocable and binding on Borrower.

(b) Failure to Select. If Borrower shall fail to give a notice of selection, conversion, or continuation with respect to the amount outstanding under the Note prior to the end of any Interest Period applicable thereto as provided in subparagraph (b) hereof, or if there has otherwise been no interest rate selected for amounts outstanding, then the interest rate shall automatically convert to the Prime Rate Basis until such time as Borrower shall select an applicable interest rate in accordance with the provisions hereof.

(c) Disbursement of Advances. The Lender shall disburse the Advances to the Borrower by depositing such funds into the Borrower's operating account with the Bank or disbursing such funds as otherwise directed in writing by the Borrower if the terms and conditions of this Agreement have been satisfied to Lender's satisfaction.

3.4

Interest.

(a) On Prime Rate Advances. Interest on each Prime Rate Advance shall be computed on the basis of a year of 360 days for the actual number of days elapsed (including the first day but excluding the last day) and shall be payable at the Prime Rate Basis for such Advance. Interest on Prime Rate Advances then outstanding shall also be due and payable on the Maturity Date.

(b) On LIBOR Advances. Interest on each LIBOR Advance shall be computed on the basis of a 360-day year for the actual number

of days elapsed (including the first day but

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excluding the last day) and shall be payable, to the extent not previously paid, at the LIBOR Basis for such Advance. Interest on LIBOR Advances then outstanding shall also be due and payable on the Maturity Date.

(d) Interest Upon Default. Upon the occurrence of an Event of Default (including notice, if any, for such to occur), interest on the outstanding principal balance of the Advances shall accrue at the Default Rate from the date of such Event of Default. Such interest shall be payable on the earlier of demand, each date interest is payable or the Maturity Date and shall accrue until the earlier of (i) waiver or cure of the applicable Event of Default, (ii) written agreement by the Lender to rescind the charging of interest at the Default Rate, or (iii) payment in full of the Indebtedness. The Lender shall not be required to (a) accelerate the maturity of the Loan, (b) exercise any other rights or remedies under the Loan Documents, or (c) give notice to the Borrower of the decision to charge interest on the Loan at the Default Rate in accordance herewith prior to or in conjunction with the effective date of the decision to charge interest at the Default Rate.

(e) Maximum Number of Interest Periods. Under no circumstances may the Borrower select an Interest Period for LIBOR Advance if as a result thereof, more than three (3) different Interest Periods would be outstanding at any one time for Advances.

3.5 Prepayment.

(a) Optional Prepayments. The principal amount of any Prime Rate Advance may be prepaid in full or in part at any time, without penalty for such Advance, upon one (1) Business Day's prior written notice to the Bank of such prepayment. LIBOR Advances may be prepaid upon three (3) Business Days prior written notice to the Bank; provided, that the Borrower shall reimburse the Lender, on the earlier of demand or the Maturity Date, for any loss or out-of-pocket expense incurred by the Lender, in connection with such prepayment, as set forth in Section 3.11 hereof, including without limitation, any breakage costs. Any notice of prepayment shall be irrevocable and all amounts prepaid on the Loan shall be applied first to interest and fees and other amounts due hereunder, and then to principal. Prepayments of Advances, under this subsection shall be in principal amounts of not less than \$100,000.00 and in integral multiples of \$100,000.00.

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(b) Application of Prepayments. In the event the Borrower does not specify the Advance to which a prepayment is to be applied, such prepayment shall be applied, First, to Prime Rate Advances, to the full

extent thereof, and Second, to LIBOR Advances to the full extent thereof.

3.6 Repayment. All Indebtedness of the Borrower then outstanding under the Note shall be due and payable upon the Maturity Date.

3.7 Note. The Loan shall be repayable in accordance with the terms and provisions set forth herein and shall be evidenced by the Note.

3.8 Manner of Payment.

(a) Interest only, shall be due and payable on July 1, 1996 and continuing on the first day of each month thereafter until the Maturity Date.

(b) Each payment (including any prepayment) by the Borrower on account of the principal of or interest on the Loan, and any other amount owed to the Lender under this Agreement, the Note or the other Loan Documents, shall be made prior to 12:00 noon (Eastern time) on the date specified for payment under this Agreement or any other Loan Document to the Lender in lawful money of the United States of America in immediately available funds. Any payment received by the Lender at or after 12:00 noon (Eastern time) shall be deemed received on the next Business Day.

(c) The Borrower agrees to pay principal, interest, and all other amounts due hereunder or under the Note without set-off or counterclaim or any deduction whatsoever.

(d) If any payment under this Agreement or any of the other Loan Documents is specified to be made on a day which is not a Business Day, it shall be made on the next Business Day (except as otherwise expressly provided herein), and such extension of time shall in such case be included in computing interest, if any, in connection with such payment.

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3.9 Application of Payments. Except for prepayments the application of which is described in Section 3.5 hereof, payments made to the Lender or otherwise received by the Lender shall be applied as follows: First, to the costs and expenses, if any, incurred by the Lender in the collection of such amounts under this Agreement or any of the other Loan Documents; Second, to the fees, if any, then due and payable hereunder or under any other Loan Document; Third, to any unpaid interest which may have accrued on the Loan; Fourth, to any unpaid principal on the Loan; Fifth, to any other Loans not otherwise referred to in this Section 3.9; Sixth, to damages other than lost profits incurred by the Lender by reason of any breach hereof or of any other Loan Documents; and Seventh, upon satisfaction in full of the Loan, to the Borrower or as otherwise required by law.

3.10 Yield Equivalency. In the event that after the date of the execution hereof (a) the enactment or adoption of, or any change in, any law, rule, regulation, treaty, guideline or directive (whether or not having the force of law), or the interpretation or enforcement of any of the foregoing by any court, central bank, administrative or governmental authority charged with the administration thereof shall either (i) impose, modify or deem applicable any reserve, deposit, insurance premium, assessment, fee, capital requirement, or tax; or (ii) impose any other condition in connection with any of the Loan, or (b) the Lender shall, in good faith, voluntarily impose, modify or deem applicable to itself any reserve, deposit, insurance premium, assessment, fee, capital requirement or similar requirement applicable to the Loan at the request or the direction (whether or not having the force of law) of any Court, central bank, administrative or governmental authority, and the result of any of the foregoing shall be to increase the cost to the Lender of extending, issuing or maintaining the Loan or to reduce any amount (or the effective return on any amount) received or receivable by the Lender in connection with the Loan (which increase in cost or reduction in yield shall be the result of the Lender's reasonable allocation, in a nondiscriminatory manner among borrowers having obligations to the Lender similar to those of the Borrower, of the aggregate of such cost increases or yield reductions resulting from such event), then, upon written demand by the Lender, the Borrower shall promptly pay to the Lender, additional amounts which shall be sufficient to compensate the Lender for all such increased costs or reductions in yield.

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3.11 Reimbursement.

(a) In the event the Borrower shall (i) fail to borrow any LIBOR Advance after having given notice of its intention to borrow in accordance with Section 3.3 hereof (whether by reason of the election of the Borrower not to proceed or the non- fulfillment of any of the conditions set forth in Section 4), or (ii) pay any LIBOR prepayment pursuant to Sections 3.5, 3.13 and 3.14 hereof) the Borrower agrees to pay to the Lender, upon the earlier of Lender's demand or the Maturity Date, an amount sufficient to compensate the Lender (and its respective participants and assignees permitted hereunder) for all losses and out-of-pocket expenses directly relating to such failure or prepayment, as applicable (including, without limitation, breakage costs) as determined by the Lender on the basis of its own standard practices. Determination of the amount of such losses and out-of-pocket expenses by the Lender, absent manifest error, shall be presumed correct.

(b) In the case of a LIBOR Advance, such loss or expense subject to reimbursement shall include, without limitation, an amount equal to the present value of the excess, if any, as reasonably determined by the Lender, of (a) the amount of interest that would have accrued on the principal amount so prepaid or not borrowed for the period from the date of such prepayment or failure to borrow (such date being hereinafter referred to as the "Breakage Date") to the last day of the then current Interest Period for such

Advance (or, in the case of a failure to borrow, the Interest Period for such Advance that would have commenced on the date of such failure) at the rate of interest applicable to such Advance under the terms of this Agreement over (b) the amount of interest that Lender would have earned had it invested the entire amount of funds so prepaid or the entire amount of funds acquired to effect, fund or maintain the Loan not borrowed, as the case may be, in U.S. Government Treasury Securities with a maturity comparable to such period or Interest Period. The present value of such excess shall be calculated by discounting such excess from the end of such period or Interest Period to the Breakage Date at the interest rate expressly borne by such U.S. Government Treasury Securities or, if none, the effective interest rate on such securities. Notwithstanding any provision of this Agreement to the contrary, Lender shall be entitled to fund and maintain its funding of all or any part of any Advance in any manner it sees fit; it being

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understood, however, that for purposes of this Agreement, all determinations hereunder shall be made as if Lender had actually funded and maintained each LIBOR Advance (whether or not the Lender shall have granted any participations in such Loan).

3.12 LIBOR Unavailable. Notwithstanding anything contained herein which may be construed to the contrary, if with respect to any proposed LIBOR Advance for any Interest Period, the Lender determines that deposits in dollars (in the applicable amount) are not being offered to the Lender in the relevant market for such Interest Period, the Lender shall forthwith give notice thereof to the Borrower, whereupon until the Lender notifies the Borrower that the circumstances giving rise to such situation no longer exist, the obligations of the Lenders to make LIBOR Advances shall be suspended.

3.13 Illegality. If any applicable law, rule or regulation, or any change therein, or any interpretation or change in interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency, shall make it unlawful or impossible for the Lender to make, maintain or fund any LIBOR Advance and the Lender shall forthwith give notice thereof to the Borrower. Upon receipt of such notice, notwithstanding anything to the contrary, the Borrower shall repay in full the then outstanding principal amount of each affected portion of any LIBOR Advance together with accrued interest thereon along with any reimbursement required under Section 3.11 hereof, either (a) on the last day of the then current Interest Period applicable to such LIBOR Advance if the Lender may lawfully continue to maintain and fund its portion of such Advance to such day or (b) immediately if such Lender may not lawfully continue to fund and maintain its portion of such Advance to such day. Concurrently with repaying each affected portion of any LIBOR Advance, notwithstanding anything to the contrary, the Borrower shall borrow a Prime Rate Advance from the Lender, and

the Lender shall make such Advance in an amount such that the outstanding principal amount of the Note shall equal the outstanding principal amount of the Note held by the Lender immediately prior to such repayment.

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3.14 Increased Costs.

(a) If any applicable law, rule or regulation, or any change therein, or any interpretation or change in interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof or compliance by any Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject the Lender to any tax, duty or other charge with respect to its obligation to fund its portion of any LIBOR Advances, or any LIBOR Advances outstanding, or shall change the basis of taxation of payments to the Lender of the principal of or interest on its portion of any LIBOR Advances or in respect of any other amounts due under this Agreement, in respect of LIBOR Advances, or its obligation to convert or continue any LIBOR Advances, as applicable (except for changes in the rate of tax on the overall net income of the Lender); or

(ii) shall impose, modify or deem applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit, capital adequacy, assessment or other requirement or condition against assets of, deposits with or for the account of, or commitments or credit extended by, the Lender or shall impose on the Lender or the London Interbank Borrowing Market any other condition affecting its obligation to convert or continue such LIBOR Advances, or LIBOR Advances outstanding; and the result of any of the foregoing is to increase the cost to the Lender of making or maintaining such LIBOR Advances or to reduce the amount of any sum received or receivable by the Lender under this Agreement or under the Note with respect thereto, then, on the earlier of demand by the Lender or the Maturity Date, the Borrower agrees to pay to the Lender such additional amount or amounts as will compensate the Lender for such increased costs.

Any additional amounts payable by the Borrower pursuant to this Section 3.14 shall be added to the Indebtedness hereunder.

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(b) A certificate of the Lender claiming compensation under this Section 3.14 and setting forth the additional amount or amounts to be paid to it hereunder and calculations therefor shall be presumed correct in the absence of manifest error. In determining such amount, the Lender

may use any reasonable averaging and attribution methods. If the Lender demands compensation under this Section 3.14, the Borrower may at any time, upon at least five (5) Business Days' prior notice to the Lender, convert in full the then outstanding affected portions of any LIBOR Advances to a Prime Rate Advance, together with accrued interest thereon to the date of prepayment, along with any reimbursement required under this Section or Section 3.11 hereof. Concurrently with conversion, such portions of any LIBOR Advances, the Borrower shall borrow a Prime Rate Advance, from the Lender, and the Lender shall make such Advance in an amount such that the outstanding principal amount of the Note shall equal the outstanding principal amount of the Note immediately prior to such prepayment.

3.15 Effect on Other Advances. If notice has been given pursuant to Sections 3.12, 3.13 or 3.14 suspending the obligation of the Lender to make any LIBOR Advances, or requiring affected portions of LIBOR Advances of the Lender to be converted, then, unless and until the Lender notifies the Borrower that the circumstances giving rise to such repayment no longer apply, all portions of Advances which would otherwise be made by such Lender as portions of LIBOR Advances shall be made instead as Prime Rate Advances.

3.16 Special Loan Account. The Borrower shall establish and maintain with the Bank, during the term of the Loan, a demand deposit account (the "Special Loan Account") into which the Borrower shall deposit, as received, all proceeds from the sale of Inventory and collection of Accounts in the form of checks, drafts, cash or the like.

3.17 Debit for Interest and Expenses. The Bank may debit the Special Loan Account and/or make Advances to the Borrower (whether or not in excess of the Maximum Loan Amount and/or the Borrowing Base) and apply such amounts to the payment of interest, fees, expenses and other amounts to which the Bank may be entitled

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from time to time and the Bank is hereby irrevocably authorized to do so without consent of the Borrower.

3.18 Sales Tax. The Borrower shall notify the Bank if any Account includes any sales or other similar tax and the Bank may, but shall not be obligated to, remit any such taxes directly to the taxing authority and make Advances or charge the Special Loan Account therefor. In no event shall the Bank be liable for any such taxes.

3.19 Letters of Credit; Banker's Acceptances.

(a) At its discretion the Bank may from time to time issue, extend or renew letters of credit and banker's acceptances for the

account of the Borrower or its Subsidiaries. The availability of Advances under the Revolving Loan shall be reduced by outstanding obligations of the Bank under any letters of credit and banker's acceptances. All payments made by the Bank under any such letters of credit or banker's acceptances (whether or not the Borrower is the account party or drawer) and all fees, commissions, discounts and other amounts owed or to be owed to the Bank in connection therewith, shall be deemed to be Advances under the Revolving Note, and shall be repaid on demand. The Borrower shall complete and sign such applications and supplemental agreements and provide such other documentation as the Bank may require. The form and substance of all letters of credit and acceptances, including expiration dates, shall be subject to the Bank's approval. The Bank may charge a fee or commission for issuance, renewal or extension of a letter of credit or acceptance. The Borrower unconditionally guarantees all obligations of any Subsidiary with respect to letters of credit issued by the Bank for the account of such Subsidiary and all acceptances of any Subsidiaries' drafts. If the Bank should demand payment of the Revolving Loan, the Borrower shall, on demand, deliver to the Bank good funds equal to 100% of the Bank's maximum liability under all outstanding letters of credit and banker's acceptances, to be held as cash collateral for the Borrower's reimbursement obligations and other Indebtedness.

(b) In order to induce Bank to issue letters of credit and banker's acceptances, the Borrower agrees that neither Bank nor its correspondents or agents shall be liable or responsible for, and the Borrower's unconditional obligation to

reimburse Bank for the obligations shall not be affected by, any event or circumstance, including without limitation: (i) the validity, enforceability, genuineness or sufficiency of documents or of any endorsement thereon existing in connection with any letter of credit or banker's acceptance, even if such documents should in fact prove in any or all respects to be invalid, unenforceable, insufficient, fraudulent or forged; (ii) any breach of contract or other dispute between the Borrower and any beneficiary of a letter of credit or holder of a draft accepted by the Bank; (iii) payment by the Bank upon presentation of a draft or documents which do not comply in any respect with the terms of such letter of credit or draft; (iv) loss of or damage to any collateral; (v) the invalidity or insufficiency of any endorsements; (vi) delay in giving or failure to give notice of arrival or any other notice; (vii) failure of any instrument to bear any reference or adequate reference to the letter of credit or draft or to documents to accompany any instrument at negotiation; or (viii) failure of any person to note the amount of any payment on the reverse of the letter of credit or to surrender to or take up the letter of credit or draft or to forward documents in the manner required by the letter of credit or draft; or (ix) any other matter whatsoever excepting only with respect to each of the foregoing items the gross negligence (or negligence as to

(iii) above) or willful misconduct of the Bank or its agent. The Borrower agrees that any action taken or permitted to be taken by the Bank or its agent under or in connection with any letter of credit or banker's acceptance, including related drafts, documents, or property, unless constituting gross negligence or willful misconduct (or negligence as to (iii) above) on the part of the Bank or its agent, shall be binding on the Borrower and shall not create any resulting liability to the Borrower on the part of the Bank or its agent. The Borrower will immediately examine (a) a copy of the letter of credit (and any amendments thereof) or draft sent to it by the Bank or its agent, and the Borrower will immediately notify the Bank in writing of any claim or irregularity.

(c) Any letter of credit issued hereunder shall be governed by the Uniform Customs of Practice for Documentary Credit (1983 Rev.), International Chamber of Commerce Publication No. 400, as revised from time to time, except to the extent that the terms of such publication would limit or diminish rights granted the Bank hereunder or in any other Loan Document.

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4. CONDITIONS PRECEDENT TO BORROWING. Prior to any Advance of the proceeds of the Revolving Loan, the following conditions shall have been satisfied, in the sole opinion of the Bank and its counsel:

4.1 Conditions Precedent to Initial Advance. In addition to any other requirement set forth in this Agreement, the Bank will not be required to make any disbursement under the Revolving Loan unless and until the following conditions shall have been satisfied:

(a) Loan Documents. The Borrower and each other party to any Loan Documents, as applicable, shall have executed and delivered this Agreement, the Note, and other required Loan Documents, all in form and substance satisfactory to the Bank.

(b) Supporting Documents. The Borrower shall cause to be delivered to the Bank the following documents:

(i) A copy of the governing instruments of the Borrower, and each Subsidiary, and a good standing certificate of the Borrower and each Subsidiary, certified by the appropriate official of its state of incorporation and the State of Florida, if different;

(ii) Incumbency certificate and certified resolutions of the board of directors (or other appropriate Persons) of the Borrower and each other Person executing any Loan Documents authorizing the execution, delivery and performance of the Loan Documents.

(c) Insurance. The Borrower shall have delivered to the Bank satisfactory evidence of insurance meeting the requirements of Section 5.3 ("Insurance").

(d) Subordinations. The Bank shall have received subordinations satisfactory to it as required by Section 5.20 ("Subordination").

(e) Additional Documents. The Borrower shall have delivered to the Bank all additional opinions, documents, certificates and other assurances that the Bank or its counsel may require.

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4.2 Conditions Precedent to Each Advance. The following conditions, in addition to any other requirements set forth in this Agreement, shall have been met or performed on or before disbursement of any proceeds of the Loan and by the Advance Date with respect to any Advance Request:

(a) Information Required by Section 3.3. The Borrower shall have delivered to Bank information as required under Section 3.3 ("Manner of Borrowing and Disbursement") and any other information Bank may require.

(b) No Default. No default shall have occurred and be continuing or will occur upon the making of the Advance in question and the Borrower shall have delivered to the Bank an officer's certificate to such effect, which may be incorporated in the Advance Request.

(c) Correctness of Representations. All representations and warranties made by the Borrower and any Guarantor herein or otherwise in writing in connection herewith shall be true and correct with the same effect as though the representations and warranties had been made on and as of the proposed Advance Date, and the Borrower shall have delivered to the Bank an officer's certificate to such effect, which may be incorporated in the Advance Request.

(d) No Adverse Change. There shall have been no material adverse change in the condition, financial or otherwise, of the Borrower or any Subsidiary from such condition as it existed on the date of the most recent financial statements of such Person delivered prior to date hereof.

(e) Further Assurances. The Borrower shall have delivered such further documentation or assurances as the Bank may reasonably require.

5. COVENANTS OF THE BORROWER. The Borrower covenants and agrees that from the date hereof and until payment in full of the Indebtedness and the formal termination of this Agreement, unless the Bank shall otherwise consent in writing, the Borrower and each Subsidiary:

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5.1 Use of Loan Proceeds. Shall use the proceeds of the Loan only for the commercial purposes permitted herein or otherwise permitted by the Bank and furnish the Bank all evidence that it may reasonably require with respect to such use.

5.2 Maintenance of Business and Properties. Shall at all times maintain, preserve and protect its property used or useful in the conduct of its business, and keep the same in good repair, working order and condition, and from time to time make, or cause to be made, all material needful and proper repairs, renewals, replacements, betterments and improvements thereto so that the business carried on in connection therewith may be conducted properly and in accordance with standards generally accepted in businesses of a similar type and size at all times, and maintain and keep in full force and effect all licenses and permits necessary to the proper conduct of its business.

5.3 Insurance. Shall maintain such liability insurance, workers' compensation insurance, business interruption insurance and casualty insurance as may be required by law, customary and usual for prudent businesses in its industry or as may be reasonably required by the Bank and shall insure and keep insured its business and properties in good and responsible insurance companies satisfactory to the Bank. All hazard insurance shall be in amounts and shall contain co-insurance and deductible provisions approved by the Bank, shall name and directly insure the Bank as secured party and loss payee under a long-form New York standard loss payee clause, or its equivalent, and shall not be terminable except upon 30 days' written notice to the Bank.

5.4 Notice of Default. Shall provide to the Bank immediate notice of (a) the occurrence of a Default, (b) any material litigation or material changes in existing litigation or any judgment against it or its assets, (c) any material damage or loss to property, (d) any notice from taxing authorities as to claimed deficiencies or any tax lien or any notice relating to alleged ERISA violations, (e) any Reportable Event, as defined in ERISA, (f) any rejection, return, offset, dispute, loss or other circumstance having a material adverse effect on any Accounts, and (g) any loss or threatened loss of material licenses or permits.

5.5 Inspections; Discussions. Shall permit any Person designated by Bank to visit and inspect any of its properties,

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corporate books, records, paper and financial reports, including making any copies thereof and abstracts therefrom, and to discuss its affairs, finances, and accounts with its principal officers, and at reasonable times and as often as Bank may reasonably request.

5.6 Financial Information. Shall maintain books and records in accordance with generally accepted accounting principles applied on a consistent basis and shall furnish to the Bank the following periodic financial information:

(a) Periodic Borrowing Base Reports. Within thirty (30) days after the end of each month, Borrower shall deliver to Bank a report listing all Accounts and Eligible Accounts of the Borrower as of the last Business Day of such quarter, which shall include the amount and age of each Account, the name and mailing address of each Account Debtor and such other information as Bank may require to verify the Eligible Accounts, all in reasonable detail and in form acceptable to the Bank.

(b) Quarterly Financial Statement Reports. Within thirty (30) days after the end of each fiscal quarter, Borrower shall deliver the following unaudited financial reports, certified by the chief financial officer of Borrower or the president of Borrower as being true and accurate:

(i) An income statement for such quarter;

(ii) A balance sheet for such quarter;

(iii) A statement of cash flows;

(iv) Copies of the quarterly 10-Q reports filed (within 10 days after filing same).

All such financial reports shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis, shall have supporting schedules attached, and include such other reasonable information and details that Bank may require.

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(c) Annual Reports. Within 120 days after the end of each fiscal year, Borrower shall deliver the following financial reports for Borrower and its Subsidiaries:

(i) An income statement;

(ii) A reconciliation of surplus statement;

(iii) A balance sheet;

(iv) A statement of cash flows;

(v) A copy of the 10-K report filed with the

(vi) A copy of the management letter prepared by the independent certified public accountants who prepared Borrower's financial statements;

(vii) A statement by the independent certified public accountants that prepared Borrower's financial statements certifying that Borrower is in full compliance with this Agreement.

All of the above financial statements shall be prepared in accordance with generally accepted accounting principles, applied on a consistent basis and audited and certified by independent certified public accountants of recognized standing selected by the Borrower and satisfactory to the Bank.

(d) No Default Certificates. Together with each report required by Subsection (b) and (c) above, shall submit a certificate of its president or chief financial officer that no Default or Event of Default then exists or if a Default or Event of Default exists, the nature and duration thereof and the Borrower's intention with respect thereto and in addition shall cause the Borrower's independent auditors (if applicable) to submit to Bank, together with its audit report, a statement that, in the course of such audit, the independent auditors discovered no circumstances which it believes would result in a Default or Event of Default or if it discovered any such circumstances, specifying the nature and duration thereof. Borrower shall also demonstrate its compliance with respect to the financial covenants referenced in Exhibit 5.26 of this Agreement.

(e) Reports and Proxies. Within ten (10) days after the filing thereof with the Internal Revenue Service, copies of the complete Internal Revenue Service tax returns of the Borrower and its Subsidiaries for each calendar year and a copy of all financial statements, reports, notices and proxy statements sent by Borrower and/or any of its Subsidiaries to stockholders, and all regular or period reports required to be filed by Borrower with any governmental agency or authority.

If the Borrower has Subsidiaries, the financial statements required above shall be consolidated and, if required by the Bank, consolidating form for the Borrower and all Subsidiaries required by generally accepted accounting principles to be consolidated for financial reporting purposes. In addition to the financial statements required herein, the Bank reserves the right to require other or additional financial or other information concerning the Borrower and its Subsidiaries.

5.7 Debt. Shall not, without Bank's prior written consent, directly or indirectly create, incur, assume, become liable, contingently or otherwise or permit to exist any Debt, including any guaranties or other

contingent obligations, except Permitted Debt.

5.8 Liens. Shall not, without Bank's prior written consent, create or permit to exist any Liens on any of its property except Permitted Liens.

5.9 (Intentionally Omitted)

5.10 Dividends. Shall not, without Bank's prior written consent, pay or declare any dividends (other than stock dividends) or other distribution or purchase, redeem or otherwise acquire any stock or other equity interests or pay or acquire any debt subordinate to the Indebtedness unless, after giving effect thereto, there shall be no Default hereunder and such payment or acquisition is specifically permitted by Exhibit 5.10 hereto (if any); provided, however, that any Subsidiary may pay dividends to the Borrower or another Subsidiary wholly-owned by the Borrower.

5.11 Merger, Sale, Etc. Shall maintain its corporate existence, good standing and necessary qualifications to do business and shall not: dissolve or liquidate, or become a party to

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any merger or consolidation, (ii) sell, assign, pledge or otherwise transfer more than 50% of its outstanding stock or voting power in a single transaction or a series of transactions, or substantially all of Borrower's property, assets or business, or a material portion (10% or more) thereof if such a sale is outside Borrower's ordinary course of business, or (iii) acquire by purchase, lease or otherwise substantially all of the property, assets or business of or more than 50% of the outstanding stock or voting power of any other entity; provided however, that the foregoing shall not operate to prevent: (a) mergers or consolidations of any Subsidiary into Borrower, or a sale, transfer or lease of assets by any Subsidiary into Borrower; or (b) a merger of any corporation or entity into Borrower, provided that after such merger, Borrower shall be the surviving or continuing corporation or entity and, after giving effect to such transaction Borrower shall be in full compliance with the terms of the Loan Agreement, and the management of Borrower shall be substantially unchanged.

5.12 Loans and Other Investments. Shall not make or permit to exist any Advances (except for Advances to Subsidiaries) or loans to, or guarantee or become contingently liable, directly or indirectly, in connection with the obligations, leases, stock or dividends of, or own, purchase or make any commitment to purchase any stock, bonds, notes, debentures or other securities of, or any interest in, or make any capital contributions to (all of which are sometimes collectively referred to herein as "Investments") any Person except for (a) investments of direct obligations of the United States Government, (b) certificates of deposit of United States commercial banks having a tier 1 capital ratio of not less than six percent (6%) and then in an amount not exceeding 10% of the issuing bank's unimpaired capital and surplus; (c)

corporate and municipal bonds which have a rating of at least Aaa; and (d) commercial paper which has a rating of at least A-1, P-1.

5.13 Change in Business. Borrower shall not enter into any business which is substantially different from the business or businesses in which it is presently engaged.

5.14 Accounts. (a) shall not sell, assign or discount any of its Accounts, Chattel Paper or any promissory notes held by it other than the discount of such notes in the ordinary course of business for collection; and (b) shall notify the Bank promptly in writing with any discount, offset or other deductions not shown on

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the face of an Account invoice and any dispute over an Account, and any information relating to an adverse change in any Account Debtor's financial condition or ability to pay its obligations.

5.15 Transactions with Affiliates. Shall not directly or indirectly purchase, acquire or lease any property from, or sell, transfer or lease any property to, or otherwise deal with, in the ordinary course of business or otherwise, any Affiliate (other than a Subsidiary); provided, however, that any acts or transactions prohibited by this Section may be performed or engaged in, after written notice to the Bank, if upon terms not less favorable to the Borrower or such Subsidiary than if no such relationship existed. Any such Affiliate may be a director, officer, employee of the Borrower or any Subsidiary.

5.16 No Change in Name, Offices; Removal of Property. Shall not, unless it shall have given 60 days' advance written notice thereof to the Bank, (a) change its name or the location of its chief executive office or other office where books or records are kept or (b) permit any Inventory or other tangible Property to be located at any location other than as specified in Section 2.9. ("Location").

5.17 No Sale, Leaseback. Shall not enter into any sale-and-leaseback or similar transaction.

5.18 Margin Stock. Shall not use any proceeds of the Loan to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of Federal Reserve System) or extend credit to others for the purpose of purchasing or carrying any margin stock.

5.19 Payment of Taxes, Etc. Shall pay before delinquent all of its debts and taxes except that the Bank shall not unreasonably withhold its consent to nonpayment of taxes being actively contested in accordance with law (provided that the Bank may require bonding or other assurances).

5.20 Subordination. Shall cause all debt and other obligations now or hereafter owed to any Guarantor or Affiliate to be subordinated in right of payment and security to the Indebtedness in accordance with subordination agreements satisfactory to the Bank.

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5.21 Compliance; Hazardous Materials. Shall strictly comply with all laws, regulations, ordinances and other legal requirements, specifically including, without limitation, ERISA, all securities laws and all laws relating to hazardous materials and the environment. Unless approved in writing by the Bank, neither the Borrower nor any Subsidiary shall engage in the storage, manufacture, disposition, processing, handling, use or transportation of any hazardous or toxic materials, whether or not in compliance with applicable laws and regulations.

5.22 Subsidiaries. Shall not acquire, form or dispose of any Subsidiaries or permit any Subsidiary to issue capital stock except to its parent.

5.23 Compliance with Assignment Laws. Shall if required by the Bank comply with the Federal Assignment of Claims Act and any other applicable law relating to assignment of government contracts.

5.24 Further Assurances. Shall take such further action and provide to the Bank such further assurances as may be reasonably requested to ensure compliance with the intent of this Agreement and the other Loan Documents.

5.25 Withholding Taxes. Pay as and when due all employee withholding, FICA and other payments required by federal, state and local governments with respect to wages paid to employees.

5.26 Other Covenants. Shall comply with such additional covenants as may be set forth in Exhibit 5.26 hereto (if any).

6. DEFAULT.

6.1 Events of Default. Each of the following shall constitute an Event of Default:

(a) Any representation or warranty made by the Borrower or Subsidiary or any other party to any Loan Document (other than the Bank) herein or therein or in any certificate or report furnished in connection herewith or therewith shall prove to have been untrue or incorrect in any material respect when made; or

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(b) There shall occur any default by the Borrower in the payment, when due, of any principal of or interest on the Note, any amounts due hereunder or any other Loan Document or any other Indebtedness (not cured within any grace period provided in such Note or in the document or instrument evidencing such Indebtedness); or

(c) There shall occur any default by the Borrower or Subsidiary or any other party to any Loan Document (other than the Bank) in the performance of any agreement, covenant or obligation contained in this Agreement or such Loan Document not provided for elsewhere in this Section 6 and such default is not cured within any grace period provided in this Agreement or such other Loan Document; or

(d) Any other obligation now or hereafter owed by the Borrower or any Subsidiary to the Bank shall be in default and not cured within any period of grace provided therein; or the Borrower or any Subsidiary shall be in default under any obligation in excess of \$100,000 owed to any other obligee, which default entitles the obligee to accelerate any such obligations or exercise other remedies with respect thereto; or

(e) The Borrower or any Subsidiary shall (i) voluntarily liquidate or terminate operations or apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of such Person or of all or of a substantial part of its assets, (ii) admit in writing its inability, or be generally unable, to pay its debts as the debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the Bankruptcy Code, or (vii) take any corporate action for the purpose of effecting any of the foregoing; or

(f) Without its application, approval or consent, a proceeding shall be commenced, in any court of competent jurisdiction, seeking in respect of such Person any remedy under

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the federal Bankruptcy Code, the liquidation, reorganization, dissolution, winding-up, or composition or readjustment of debt, the appointment of a trustee, receiver, liquidator or the like of such Person, or of all or any substantial part of the assets of such Person, or other like relief under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; or

(g) There shall occur any material loss, theft, damage or destruction of any of Borrower's assets which loss is not fully insured; or

(h) A judgment in excess of \$100,000.00 shall be rendered against the Borrower or any Subsidiary and shall remain undischarged, undismissed and unstayed for more than ten days (except judgments validly covered by insurance with a deductible of not more than \$10,000.00) or there shall occur any levy upon, or attachment, garnishment or other seizure of, any material portion of the Borrower's or any Subsidiary's assets by reason of the issuance of any tax levy, judicial attachment or garnishment or levy of execution; or

(i) The Borrower or any Subsidiary shall fail to pay, on demand, any returned or dishonored draft, check, or other item which has been deposited to the Special Loan Account or otherwise presented to the Bank and for which the Borrower has received provisional credit; or

THE FOREGOING ENUMERATION OF EVENTS OF DEFAULT NOTWITHSTANDING, NOTHING HEREIN SHALL BE DEEMED TO LIMIT, RESTRICT, IMPAIR OR DIMINISH THE ABSOLUTE RIGHT OF THE BANK TO DEMAND PAYMENT OF THE REVOLVING LOAN IN FULL, AT ANYTIME, WITHOUT CAUSE.

6.2 Remedies. If any Default shall occur, the Bank may, without notice to the Borrower, at its option, withhold further Advances to the Borrower of proceeds of the Loan. Should (a) any Event of Default under Section 6.1(g) occur and not be cured within thirty (30) days following delivery of written notice thereof by the Bank to the Borrower (which notice shall be complete upon hand or overnight delivery or upon facsimile delivery or mailing by certified mail, return receipt requested) or (b) any other Event of Default occur, the Bank may declare any or all Indebtedness to be immediately due and payable (if not earlier

demanded), bring suit against the Borrower to collect the Indebtedness, exercise any remedy available to the Bank hereunder and take any action or exercise any remedy provided herein or in any other Loan Document or under applicable law. Bank agrees that it will apply the Default Rate to any Event of Default under Section 6.1(c) only after thirty (30) days prior written notice has been given to Borrower of such default. Notwithstanding the foregoing, Bank may exercise all of its rights and remedies immediately upon a default under Section 6.1(c) (including acceleration of the Loan) and Bank shall not be required to wait until the foregoing thirty (30) day notice period has expired to exercise all of its rights and remedies. No remedy shall be exclusive of other remedies or impair the right of the Bank to exercise any other remedies.

6.3 Receiver. In addition to any other remedy available to it, the Bank shall have the absolute right, upon the occurrence of an Event of

Default, to seek and obtain the appointment of a receiver to take possession of and operate and/or dispose of the business and assets of the Borrower and any costs and expenses incurred by the Bank in connection with such receivership shall bear interest at the Default Rate and shall be secured by all Collateral.

6.4 Deposits; Insurance. Upon the occurrence and continuance of an Event of Default, the Borrower authorizes the Bank to collect and apply against the Indebtedness when due any cash or deposit accounts in its possession, and any refund of insurance premiums or any insurance proceeds payable on account of the loss or damage to any of Borrower's properties or Equipment and irrevocably appoints the Bank as its attorney-in-fact to endorse any check or draft or take other action necessary to obtain such funds.

6.5 Other Rights. The Borrower authorizes the Bank without affecting the Borrower's obligations hereunder or under any other Loan Document from time to time (i) to take from any party and hold additional collateral or guaranties for the payment of the Indebtedness or any part thereof, and to exchange, enforce or release such collateral or guaranty of payment of the Indebtedness or any part thereof and to release or substitute any endorser or guarantor or any party who has given any security interest in any collateral as security for the payment of the Indebtedness or any part thereof or any party in any way obligated to pay the Indebtedness or any

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part thereof; and (ii) upon the occurrence of any Event of Default to direct the manner of the disposition of any collateral and the enforcement of any endorsements, guaranties, letters of credit or other security relating to the Indebtedness or any part thereof as the Bank in its sole discretion may determine.

6.6 Waiver of Marshalling. The Borrower hereby waives any right it may have to require marshalling of its assets.

6.7 Waiver of Automatic Stay. The Borrower hereby waives the application of the automatic stay of enforcement provided in Section 362 of the United States Bankruptcy Code and agrees that the Bank may proceed with enforcement and collection notwithstanding the filing of a petition in bankruptcy.

7. MISCELLANEOUS.

7.1 No Waiver, Remedies Cumulative. No failure on the part of the Bank to exercise, and no delay in exercising, any right hereunder or under any other Loan Document 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. The remedies herein provided are cumulative and are in addition to any other remedies provided by law, any Loan Document or otherwise.

7.2 Survival of Representations. All representations and warranties made herein shall survive the making of the Loan hereunder and the delivery of the Note, and shall continue in full force and effect so long as any Indebtedness is outstanding, there exists any commitment by the Bank to the Borrower, and until this Agreement is formally terminated in writing.

7.3 Expenses. Whether or not the Loan herein provided for shall be made, the Borrower shall pay all reasonable costs and expenses in connection with the preparation, execution, delivery, amendment and enforcement of this Agreement and any Loan Document, including the reasonable fees and disbursements of counsel for the Bank in connection therewith, whether suit be brought or not and whether incurred at trial or on appeal. Borrower shall pay Bank a facility fee of \$15,000.00 upon execution of this Agreement and an additional facility fee of \$15,000.00 on April 30, 1997. In

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addition, the Borrower agrees to pay and save the Bank harmless against any liability for payment of any state documentary stamp taxes, intangible taxes or similar taxes (including interest or penalties, if any) which may now or hereafter be determined to be payable in respect to the execution, delivery or recording of any Loan Document or the making of any Advance, whether originally thought to be due or not, and regardless of any mistake of fact or law on the part of the Bank or the Borrower with respect to the applicability of such tax. The provisions of this section shall survive payment in full of the Loan and termination of this Agreement.

7.4 Notices. Any notice or other communication hereunder to any party hereto shall be by hand delivery, overnight delivery, facsimile, telegram, telex or registered or certified mail and unless otherwise provided herein shall be deemed to have been given or made when delivered, telegraphed, telexed, faxed or deposited in the mails, postage prepaid, addressed to the party at its address specified below (or at any other address that the party may hereafter specify to the other parties in writing):

The Bank: First Union National Bank of Florida
77 East Camino Real
Boca Raton, Florida 33432
Attention: Karen Leikert,
Assistant Vice-President

The Borrower: c/o Boca Research, Inc.
1377 Clint Moore Road
Boca Raton, Florida 33487
Attention: R. Michael Brewer,
Vice President - Finance

cc: Robert Federspiel, Esq.
Spinner, Dittman, Federspiel
& Dowling
501 East Atlantic Avenue
Delray Beach, Florida 33483

7.5 Governing Law. This Agreement and the Loan Documents shall be deemed contracts made under the laws of the State of Florida and shall be governed by and construed in

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accordance with the laws of said state except insofar as the laws of another jurisdiction may govern the perfection, priority and enforcement of security interests in collateral located in another jurisdiction.

7.6 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Borrower and the Bank, and their respective successors and assigns; provided, that the Borrower may not assign any of its rights hereunder without the prior written consent of the Bank, and any such assignment made without such consent will be void.

7.7 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which when taken together shall constitute but one and the same instrument.

7.8 No Usury. Notwithstanding anything contained in this Agreement, the Note, or in any other Loan Document to the contrary, in no event will interest or other charges deemed to be interest be chargeable against the Borrower if such amount (combined with any other amounts considered to be in the nature of interest) would exceed the maximum amount permitted by law from time to time while any of the Indebtedness is outstanding, and in the event any amount in excess of the lawful maximum is charged or collected by the Bank or paid by the Borrower, the Borrower shall be entitled to the reimbursement of such excess together with interest thereon at the highest lawful rate at the time of such overcharge.

7.9 Powers. All powers of attorney granted to the Bank are coupled with an interest and are irrevocable.

7.10 Approvals. If this Agreement calls for the approval or consent of the Bank, such approval or consent may be given or withheld in the discretion of the Bank unless otherwise specified herein.

7.11 Jurisdiction, Service of Process.

(a) Any suit, action or proceeding against the Borrower with respect to this Agreement, the Collateral or any Loan

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Document or any judgment entered by any court in respect thereof may be brought in the courts of Broward County, Florida or in the U.S. District court for the Southern District of Florida as the Bank (in its sole discretion) may elect, and the Borrower hereby accepts the nonexclusive jurisdiction of those courts for the purpose of any suit, action or proceeding. Service of process in any such case may be had against the Borrower by delivery in accordance with the notice provisions herein or as otherwise permitted by law, and the Borrower agrees that such service shall be valid in all respects for establishing personal jurisdiction over it.

(b) In addition, the Borrower hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement, the Loan Documents, the Collateral or any judgment entered by any court in respect thereof brought in Broward County, Florida or the U.S. District Court for the Southern District of Florida, as selected by the Bank, and hereby further irrevocably waives any claim that any suit, action or proceedings brought in Broward County, Florida or in such District Court has been brought in an inconvenient forum.

7.12 Multiple Borrowers. If more than one Person is named herein as the Borrower, all obligations, representations and covenants herein and in other Loan Documents to which the Borrower is a party shall be joint and several.

a. Bank shall not be required to proceed first against any or all of the Borrowers, or any other Person, whether primarily or secondarily liable, or against any collateral held by it, before resorting to any of the Borrowers for payment of the obligations under this Agreement and the Loan Documents. None of the Borrowers shall be entitled to assert as a defense to the enforceability of such Borrower's obligations under this Agreement or any other Loan Document, any defense of the other Borrower under this Agreement or other Loan Document.

b. Each of the Borrowers agrees that Bank may at any time and from time to time, without notice to, waiver by, or consent of such Borrower, without incurring responsibility to such Borrower, without impairing, releasing, or otherwise affecting the

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joint and several obligations of such Borrower under this Agreement or any other Loan Document, in whole or in part; change the manner, place, or terms of payment of, change, extend the time of, renew, or alter any of the obligations of the other Borrower subject to this Agreement, or any security therefor or any

guaranty thereof; loan additional monies or extend additional credit to the other Borrower, individually or jointly with other persons, with or without security, thereby creating new liabilities the payment of which may be secured by the collateral provided hereunder; sell, exchange, release, surrender, realize upon, or otherwise deal with in any manner and in any order any guaranties or any property at any time pledged or mortgaged to secure the obligations subject to this Agreement and any offset thereagainst; take and hold additional security or guaranties for any of the obligations subject to this Agreement; exercise or refrain from exercising any rights against the other Borrower or others (including Borrower) or act or refrain from acting in any other manner; settle or compromise any of the obligations subject to this Agreement or any security or guaranty therefor and may subordinate the payment of all or any part thereof to the payment of any of the liabilities (whether or not due) of the other Borrower to creditors of the other Borrower (other than Bank and Borrower); apply any sums from any sources to any of the obligations of the Borrowers under this Agreement or any other obligations of the other Borrower to Bank (other than payments by or on behalf of Borrower), and in any order, without regard to any obligations of Borrower remaining unpaid; and disburse all or part of the proceeds of any loan subject to the provisions of this Agreement as instructed by the other Borrower, without inquiry or investigation of any kind by Bank as to the use of such proceeds. Each of the Borrowers confirms that it will be directly or indirectly benefited by each and every loan, disbursement, or advance subject to the provisions of this Agreement.

c. No invalidity, irregularity, or unenforceability of all or any part of the obligations of the other Borrower subject to this Agreement or otherwise to Bank or insufficiency, invalidity, irregularity, or unenforceability of any security or guaranty for the obligations of Borrowers hereunder shall affect, impair, or be a defense to the obligations of either of the Borrowers to Bank subject to this Agreement.

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d. Each of the Borrowers waives any duty on Bank's part (should such duty exist) to disclose to such Borrower any matter, fact, or thing related to the business, operations, or condition (financial or otherwise) of the other Borrower or its affiliates or property, whether now or hereafter known by Bank. Bank shall have no duty to disclose to such Borrower the difference, if any, between the terms which were initially proposed for the obligations subject to this Agreement and which were presumably disclosed to, or known by such Borrower, and the actual terms of the obligations, as executed, including but not limited to the existence or amount of guaranties or security therefor. Each of the Borrowers agrees that any lack of knowledge of such Borrower as to such matters will not impair, release, or otherwise affect the obligations of such Borrower subject to this Agreement.

e. Any and all claims of either of the Borrowers against the other Borrower or any of its property, whether through subrogation to the rights

of Bank hereunder or otherwise, shall be subordinate and subject in right of payment to the prior payment in full of the obligations subject to this Agreement.

f. If either of the Borrowers is held to be an accommodation party with respect to a loan or portion of a loan hereunder, or is otherwise held not to be primarily liable thereunder, said party (who is held not to be primarily liable) agrees that it absolutely and unconditionally guarantees the payment of all loans hereunder whether now or hereafter made regardless of the enforceability of such loans against any other party thereto.

7.13 Other Provisions. Any other or additional terms and conditions set forth in Exhibit 8.13 (if any) are hereby incorporated herein.

7.14 Waiver of Jury Trial. THE BORROWER AND THE BANK HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED UPON THIS AGREEMENT OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT AND ANY OTHER LOAN DOCUMENT AND ANY OTHER AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS

PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT.

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

BOCA RESEARCH, INC.,
A FLORIDA CORPORATION

FIRST UNION NATIONAL BANK OF
FLORIDA, A NATIONAL BANKING
ASSOCIATION

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Attest: _____
Name: _____
Title: _____

(CORPORATE SEAL)

BOCA RESEARCH INTERNATIONAL,
INC., A VIRGIN ISLANDS CORPORATION

By: _____
Name: _____
Title: _____

Attest: _____
Name: _____
Title: _____
(CORPORATE SEAL)

COMPLETE ACQUISITION CORP., A
FLORIDA CORPORATION

By: _____
Name: _____
Title: _____

Attest: _____
Name: _____
Title: _____
(CORPORATE SEAL)

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BOCA RESEARCH HOLLAND B.V., INC.,
A NETHERLANDS CORPORATION

By: _____
Name: _____
Title: _____

Attest: _____
Name: _____
Title: _____
(CORPORATE SEAL)

BOCA RESEARCH OF DELAWARE, INC.,
A DELAWARE CORPORATION

By: _____
Name: _____
Title: _____

Attest: _____
Name: _____
Title: _____
(CORPORATE SEAL)

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SCHEDULE OF EXHIBITS

(IF ANY EXHIBIT IS OMITTED, THE INFORMATION CALLED FOR THEREIN SHALL BE CONSIDERED "NONE" OR "NOT APPLICABLE")

<TABLE>

<CAPTION>

Exhibit		Section Reference	Title
<S>	<C>	<C>	<C>
1.1B	1.1	("Eligible Accounts")	Ineligible Accounts
1.1C	1.1	("Permitted Debt")	Permitted Debt
1.1D	1.1	("Permitted Liens")	Permitted Liens
2.3	2.3	("Financial Condition")	Contingent Liabilities
2.4	2.4	("Litigation")	Litigation
2.9	2.9	("Location")	Offices of Borrower
2.17	2.17	("Subsidiaries")	List of Subsidiaries
2.18	2.18	("Hazardous Materials")	Hazardous Materials Utilized by Borrower
2.21	2.21	("Additional Representations")	Additional Representations
5.6	5.6	("Financial Information")	Borrowing Base Certificate
5.10	5.10	("Dividends")	Permitted Dividends & Distributions
5.26	5.26	("Other Covenants")	Other Additional Covenants
8.13	8.13	("Other Provisions")	Additional Terms

</TABLE>

EXHIBIT 1.1B
ADDITIONAL INELIGIBLE ACCOUNTS

The following shall be additional ineligible accounts:

1. The entire amount due from any account debtor whose ineligible amounts is equal to or greater than 50% of the total amount due from such account debtor, sometimes referred to as "cross-aging".

2. Any accounts rebilled and whose age is greater than 60 days from the original invoice date.

3. Those amounts invoiced whose payment is retained by account debtor pending final inspection and acceptance, sometimes referred to as "retainage".

4. Those portions of any account that were paid in cash and not already deducted from the account balance.

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EXHIBIT 1.1C
PERMITTED DEBT

NONE

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EXHIBIT 1.1D
PERMITTED LIENS

The following shall be additional Permitted Liens:

1. Deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance, social security and similar laws.

2. Attachment, judgment and other similar non-tax Liens arising in connection with court proceedings but only if and for so long as (a) the execution or enforcement of such Liens is and continues to be effectively stayed and bonded on appeal, (b) the validity and/or amount of the claims secured thereby are being actively contested in good faith by appropriate legal proceedings and (c) such Liens do not, in the aggregate, materially detract from the value of the assets of the Person whose assets are subject to such Lien or materially impair the use thereof in the operation of such Person's business.

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EXHIBIT 2.3

CONTINGENT LIABILITIES

The following are contingent liabilities of the Borrower and its Subsidiaries:

NONE

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EXHIBIT 2.4
LITIGATION

Describe any suit or proceeding pending or threatened:

NONE

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EXHIBIT 2.9
OFFICES OF BORROWER

List any offices of Borrower or Subsidiary not listed in Section 7.4:

(Please refer to Exhibit 2.17)

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EXHIBIT 2.17
LIST OF SUBSIDIARIES

NAME OF SUBSIDIARY

LOCATION

Boca Research International, Inc.
a Virgin Islands corporation

Resident Agent: CITCO St. Thomas, Inc.
5 Kronprindsens Gade

Charlotte Amalie, St. Thomas,
U.S. Virgin Islands

Boca Research Holland B.V., Inc.,
a Netherlands corporation

Managing Director: Rien van der Jagt
Cypresbaan 7
P.O. Box 704
2900 AS Capelle aan den IJssel
Holland

Complete Acquisition Corp.,
a Florida corporation

1377 Clint Moore Road
Boca Raton, Florida 33487

Boca Research of Delaware, Inc.,
a Delaware corporation

Mellon Bank Center, Second Floor
919 N. Market Street
Wilmington, Delaware 19801

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EXHIBIT 2.18
HAZARDOUS MATERIALS UTILIZED BY BORROWER
BORROWER'S HAZARDOUS SUBSTANCES PROCEDURES

1. Definition of Hazardous Materials. A material and/or waste (solid, liquid or gaseous) shall be considered "Hazardous" if:
 - A. It appears on one or more hazardous substance lists published by the EPA under the Resource Conservation and Recovery Act (RCRA) and SARA Title III, Part 313.
 - B. It is acutely hazardous waste as defined by the EPA's 40 C.F.R. Parts 261-262.
 - C. It exhibits any of the following characteristics as defined by NFPA regulations and the substances MSDS:
 - (1) Ignitibility. The material or waste is easily combustible or flammable.
 - (2) Corrosivity. The material or waste is capable of causing slow chemical and/or electrochemical reaction between a metal and it's environment (for example, the rusting of iron). Ultimately, dissolving metals or other materials and burns the skin.
 - (3) Reactivity. The material or waste is "explosive," unstable, or undergoes rapid or violent chemical reaction with water or other materials.

(4) Toxicity. The material or waste has the potential to release toxic substances that can pose a hazard to human health or the environment.

2. Hazardous Materials Inventory. The following is an inventory of all hazardous materials handled, stored, accumulated, treated and disposed within the confines of Boca Research.

A. IEM Fusion NCR-P-7X-3 Soldering Paste (Tin, Lead)

B. Amicon D-124F (Epoxy Adhesive)

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C. Centari Acrylic Enamel

D. Water soluble, neutral flux solution which is completely biodegradable and a non-irritant

E. Gold Solution (Cyanide Salt-Amine)

F. Loctite 3348 Chipbonder (Epoxy Adhesive)

G. Loctite 454 Surface Insensitive Instant Adhesive (Ethyl Cyanoacrylate, Amorphous Silica, Hydroquinone)

H. Nickel Acid Solution (Nickel Sulfate, Formic Acid)

I. SCM Metal Products Soldering Paste (TEA, Tin, Lead, Triethanolamine, Silver)

J. AP Grease (Naphthionic distillate)

3. Hazardous Materials Handling and Use. All hazardous material and waste are handled and used in accordance with all Occupational Health and Safety Association (OSHA) rules and regulations. All employees have been provided on-the-job training regarding personal protective equipment, safe handling, storage and disposal of hazardous materials and waste.

4. Hazardous Materials and Waste Management.

A. Hazardous Materials Labeling. All hazardous materials are labeled in accordance with Department of Transportation (DOT) and the National Fire Protection (NFPA).

B. Hazardous Materials Containment. Hazardous waste are placed in containers appropriate for the type of hazardous waste generated and the type of treatment and/or disposal method

anticipated.

All containers designated for Hazardous Materials/Waste containment are constructed of a smooth material that is impervious to liquids and is capable of being maintained in a sanitary condition.

- C. Hazardous Materials Storage and Accumulation. Hazardous materials storage and accumulation areas are located away from public access

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and general traffic flow patterns. Furthermore, the area is restricted and secured against unauthorized personnel.

- (1) Flammables. Flammable materials are stored in a cool, dry, well-ventilated area away from any possible ignition sources. Highly flammable materials are kept in an area separate from oxidizing agents.
- (2) Oxidizers. All chemicals that combine or mix with oxygen are stored away from liquids or low flash point.
- (3) Corrosives. Corrosive materials are stored in a cool, well-ventilated area (above their freezing point). Furthermore, corrosives are isolated from other materials since they tend to corrode everything that is stored with them.
- (4) Acids and Bases. Acids and Bases are stored in a cool, dry, well-ventilated area.
- (5) Highly Volatile Substances. Materials that are highly toxic or that can decompose into toxic components from contact with heat, moisture, acids or acid fumes will be stored in a cool, well-ventilated area out of the direct rays of the sun. Incompatible toxic materials will be isolated from each other.
- (6) Solder Pastes. All solder pastes are covered by Boca Research in a solid, physical state which is easily contained in impermeable, sealed containers and accumulated in a refrigerator for future reclamation.

- D. Hazardous Waste Reclamation and/or Disposal. All hazardous waste generated by Boca Research is immediately disposed according to federal, state and local regulations. Hazardous

waste that cannot be treated or disposed immediately after it is generated is accumulated at its point of origin in a storage area designated for hazardous waste accumulation.

- (1) Solder Paste and Dross. 100% of all excess solder paste (dross) generated by the Wave Solderer is immediately contained and accumulated for off-site reclamation.

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- (2) Containment Residuals. Empty containers lined with a residue of hazardous material/waste are returned to the manufacturer for reclamation.
- (3) Waste Water Residuals. Waste water effluent generated by Boca Research that has been contaminated with hazardous waste is passed through a closed loop filtration system. The resulting treated residue can be classified as non-hazardous or as a recovered, usable product which is recycled by the manufacturer.

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EXHIBIT 2.21
ADDITIONAL REPRESENTATIONS

Describe fully any additional representations or warranties set forth by the Borrower.

NONE

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EXHIBIT 5.10
PERMITTED DIVIDENDS

Describe conditions under which dividends are permitted and specify any limits on such permitted dividends:

NONE

EXHIBIT 5.26
OTHER COVENANTS

1. Financial Covenants. At all times, the Borrower shall be in compliance with the following financial covenants on a consolidated basis (with said financial covenants being tested on a quarterly basis by Bank):

(a) WORKING CAPITAL. Borrower shall at all times maintain Consolidated Working Capital of at least Thirty-Two Million Dollars (\$32,000,000.00) through and including December 31, 1996. After December 31, 1996, Borrower shall at all times maintain Consolidated Working Capital of at least Forty Million Dollars (\$40,000,000.00). "Consolidated Working Capital" shall mean the excess of the consolidated current assets as determined in accordance with generally-accepted accounting principles applied on a consistent basis ("GAAP") of Borrower and its Subsidiaries, over the consolidated current liabilities as determined in accordance with GAAP of Borrower and its Subsidiaries.

(b) TANGIBLE NET WORTH. Borrower shall at all times maintain a Consolidated Tangible Net Worth of at least Forty-Two Million Dollars (\$42,000,000.00) through and including December 31, 1996. After December 31, 1996, Borrower shall at all times maintain a Consolidated Tangible Net Worth of at least Forty-Seven Million Dollars (\$47,000,000.00). "Consolidated Tangible Net Worth" shall mean the consolidated total assets of Borrower and its Subsidiaries, minus consolidated total liabilities, excluding debt fully subordinated to the Loan, after subtracting therefrom the aggregate amount of any intangible assets of Borrower and its Subsidiaries, including, without limitation, goodwill, franchises, licenses, patents, trademarks, trade names, copyrights, service marks, and brand names.

(c) DEBT/WORTH RATIO. Borrower shall at all times maintain a consolidated total liabilities, including debt fully subordinated to the Loan, to Consolidated Tangible Net Worth ratio of not more than 0.50 to 1.00. For purposes of this computation, "Consolidated Total Liabilities" shall mean all liabilities of Borrower and its Subsidiaries, including capitalized leases and all reserves for deferred taxes and other deferred sums appearing on the liabilities side of a balance sheet of Borrower and its Subsidiaries, in accordance with GAAP.

(d) NEGATIVE PLEDGE. Borrower shall not encumber any Accounts or Inventory without Bank's prior written consent.

(e) GUARANTEES. Borrower and its Subsidiaries shall not guarantee or otherwise become responsible for obligations of any other Person, corporation or entity, excepting for the endorsement of negotiable instruments by Borrower or its Subsidiaries in the ordinary course of business for collection.

(f) RETIRE OR REPURCHASE CAPITAL STOCK. Borrower and its Subsidiaries shall not retire or otherwise acquire any of Borrower's and/or its Subsidiaries' capital stock in the ordinary course of business for collection.

2. Other Covenants.

(a) DEPOSIT RELATIONSHIP. Borrower will maintain its primary depository account and cash management account with Bank.

(b) FISCAL YEAR. Borrower and any Subsidiary shall not change its fiscal year without obtaining the prior written consent of Bank.

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EXHIBIT 8.13
ADDITIONAL TERMS

Detail any other or additional terms or conditions to be incorporated into the Loan.

NONE

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BOCA RESEARCH, INC.

EXHIBIT 11 - CALCULATION OF SHARES USED IN
DETERMINING PRIMARY EARNINGS PER SHARE
(Unaudited)

SEPTEMBER 30, 1996

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30, 1996 -----	NINE MONTHS ENDED SEPTEMBER 30 1996 -----
<S>	<C>	<C>
Shares outstanding at January 1, 1996.....	8,522,759	8,522,759
Shares issued January 1, 1996 in connection with the 1992 Employee Stock Purchase Plan.....	9,502	9,502
Shares issued in connection with a non-qualified stock option plan.....	2,778	55,335
Shares issued July 1, 1996 in connection with the 1992 Employee Stock Purchase Plan.....	11,243	3,748
Weighted average of optioned shares using the treasury stock method.....	245,303 -----	373,958 -----
Weighted average primary shares outstanding.....	8,791,585 =====	8,965,302 =====

</TABLE>

SEPTEMBER 30, 1995

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30, 1995 -----	NINE MONTHS ENDED SEPTEMBER 30, 1995 -----
<S>	<C>	<C>
Shares outstanding at January 1, 1995.....	8,424,685	8,424,685
Shares issued January 1, 1995 in connection with the 1992 Employee Stock Purchase Plan.....	4,932	4,932
Shares issued in connection with a non-qualified stock option plan.....	43,528	23,984
Shares issued July 1, 1995 in connection with the 1992 Employee Stock Purchase Plan.....	13,810	4,603
Weighted average of optioned shares using the treasury stock method.....	600,292 -----	415,806 -----
Weighted average primary shares outstanding.....	9,087,247 =====	8,874,010 =====

</TABLE>

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BOCA RESEARCH, INC.

CALCULATION OF SHARES USED IN
DETERMINING FULLY-DILUTED EARNINGS PER SHARE
(Unaudited)

SEPTEMBER 30, 1996

<TABLE>
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	THREE MONTHS ENDED SEPTEMBER 30, 1996	NINE MONTHS ENDED SEPTEMBER 30 1996
	-----	-----
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Shares outstanding at January 1, 1996.....	8,522,759	8,522,759
Shares issued January 1, 1996 in connection with the 1992 Employee Stock Purchase Plan.....	9,502	9,502
Shares issued in connection with a non-qualified stock option plan.....	2,778	55,335
Shares issued July 1, 1996 in connection with the 1992 Employee Stock Purchase Plan.....	11,243	3,748
Weighted average of optioned shares using the treasury stock method.....	245,303	373,958
	-----	-----
Weighted average fully-diluted shares outstanding.....	8,791,585	8,965,302
	=====	=====

</TABLE>

SEPTEMBER 30, 1995

<TABLE>
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	THREE MONTHS ENDED SEPTEMBER 30, 1995	NINE MONTHS ENDED SEPTEMBER 30, 1995
	-----	-----
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Shares outstanding at January 1, 1995.....	8,424,685	8,424,685
Shares issued January 1, 1995 in connection with the 1992 Employee Stock Purchase Plan.....	4,932	4,932
Shares issued in connection with a non-qualified stock option plan.....	43,528	23,984
Shares issued July 1, 1995 in connection with the 1992 Employee Stock Purchase Plan.....	13,810	4,603
Weighted average of optioned shares using the treasury stock method.....	600,292	558,262
	-----	-----
Weighted average fully-diluted shares outstanding.....	9,087,247	9,016,466
	=====	=====

</TABLE>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED STATEMENT OF OPERATIONS FILED AS PART OF THE QUARTERLY REPORT ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH QUARTERLY REPORT ON FORM 10-Q

</LEGEND>

<CURRENCY> U.S. DOLLARS

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