FORM 8-K

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PREISS BYRON MULTIMEDIA CO INC

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) March 21, 1997

Byron Preiss Multimedia Company, Inc.

(Exact name of registrant as specified in its charter)

New York	1-13084	13-3676574
State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

24 West 25th Street, New York, New York	10010
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code (212) 989-6252

Not Applicable

(Former name or former address, if changed since last report.)

ITEM 2 ACQUISITION OR DISPOSITION OF ASSETS

On March 21, 1997, Byron Preiss Multimedia Company, Inc. (the "Company"), acquired all of the issued and outstanding capital stock of Dolphin, Inc., a New Jersey corporation ("Dolphin"), pursuant to the terms of a Stock Purchase Agreement (the "Stock Purchase Agreement"), dated as of March 21, 1997 between the Company and Andrew K. Gardner (the "Seller"). Pursuant to the terms of the Stock Purchase Agreement, the Company acquired from the Seller all of the issued and outstanding capital stock of Dolphin (the "Dolphin Shares"), in exchange for the following consideration (collectively, the "Consideration"): (a) Five Hundred Eighty Thousand Dollars ($580,000.00) in cash, consisting of Five Hundred Thousand Dollars ($500,000.00) payable by wire transfer and Eighty Thousand Dollars ($80,000.00) deposited into an interest bearing escrow pursuant to the terms of the Escrow Agreement (as defined below); (b) a Convertible Note (the "Convertible Note") in the principal amount of One Million Seven Hundred Fifty Thousand Dollars ($1,750,000.00), which Convertible Note is secured by a pledge of, among other things, the Dolphin Shares pursuant to the terms of the Pledge Agreement (as defined below); and (c) 395,947 shares (the "Purchaser Shares") of unregistered common stock, par value $.001 per share ("Common Stock"). The value of the Purchaser Shares shall be determined by agreement of the parties or pursuant to an independent evaluation company.

The Convertible Note bears interest at a rate of 7% per annum from and after March 21, 1997 and is due on March 1, 2001 (the "Maturity Date"). The outstanding principal balance of the Convertible Note on December 31, 1997, together with interest accruing thereon, shall be repaid in 39 equal monthly installments of $53,087.35 commencing January 2, 1998 and continuing on the first business day of each succeeding month. The principal amount of the Convertible Note, at the holder's option, may be converted into the number of duly authorized, validly issued, fully-paid and non assessable shares of Common Stock (the "Conversion Shares") equal to the then unpaid principal amount of the Convertible Note being converted, divided by $5.75, as may be adjusted from time to time in accordance with the terms of the Convertible Note. The Convertible Note may be prepaid at the Company's option.

Pursuant to the terms of the Convertible Note, the entire unpaid principal amount of the Convertible Note, together with accrued interest and charges thereon shall be due and payable upon the occurrence of an "Event of Default" under the Convertible Note. An "Event of Default" under the Convertible Note includes, such things as, (a) the Company's failure to make any payment due thereunder within 10 days after the due date therefor and failure to make such payment for an additional 30 days after written notice of such non-payment; (b) the Company's breach of any material obligation under Section 5 of the Convertible Note, relating to conversion of the Convertible Note, if such breach has not been cured within 60 days; (c) a "Default" (as described below) under the Pledge Agreement giving due recognition of any notice and cure provisions thereof. The Convertible Note also provides that the

Maturity Date may be accelerated in the event that (i) the Seller terminates his employment under the Employment Agreement (as defined below) for "Good Reason"

in certain circumstances or (ii) Dolphin terminated Seller's employment under the Employment Agreement without "cause". The indebtedness evidenced by the Convertible Note is secured by the Stock Pledge Agreement, dated as of March 21, 1997 between the Company and the Seller (the "Pledge Agreement").

Pursuant to the terms of the Pledge Agreement, the Company, among other things, granted to the Seller a continuing lien and security interest in and to the Dolphin Shares and the proceeds thereof. The Company also agreed, among other things, (i) to maintain working capital and stockholder's equity levels, as provided therein, (ii) not to liquidate, dissolve, merge or consolidate Dolphin or sell substantially all of its assets, (iii) not to borrow money from any person other than the Company or loan money to any person other than the Company and (iv) not to sell, lease, assign or grant a lien on the Dolphin Shares. In addition, the Pledge Agreement generally provides that a "Default" shall occur upon the occurence of certain events described in the Pledge Agreement, such as: (i) any "Event of Default" under the Convertible Note; (ii) failure to perform, observe or comply with a material provision of the Pledge Agreement and cure such breach after written notice thereof; (iii) a breach of a representation or warranty contained in the Pledge Agreement or a breach of certain representations or warranties contained in the Stock Purchase Agreement or any officer certificate relating thereto; (iv) liquidation, dissolution of termination of Dolphin; (v) the default of the Company on any indebtedness for borrowed money in excess of Two Hundred Fifty Thousand Dollars ($250,000.00), which default causes the acceleration prior to scheduled maturity of such indebtedness; (vi) bankruptcy of the Company, or (vii) the Company's dissolution or inability to pay debts or appointment of a trustee of the Company. Upon and after the occurrence of a Default, the Seller may, among other rights and remedies, exercise his right to sell the Collateral, or any part thereof in accordance with and subject to the provisions described in the Pledge Agreement.

Pursuant to a Registration Rights Agreement (the "Registration Rights Agreement"), dated as of March 21, 1997, the Company granted Seller certain demand registration rights pertaining to the Conversion Shares held by the Seller and incidental "piggyback" registration rights pertaining to the Purchaser Shares. In connection therewith, the Seller was granted two (2) demand registration rights any time after a conversion of the Convertible Note. With respect to the incidental "piggy-back" registration rights granted to the Seller

by the Company, if the registration involves an underwritten offering and a managing underwriter advises the Company in writing that in its opinion, the number of securities requested to be included in such registration exceeds the number of securities which would have an adverse effect on such offering, the Company will include in such registration, the securities proposed to be registered by the Seller in accordance with the priority provisions described in Section 2(b) thereto.

In connection with the transactions contemplated by the Stock Purchase Agreement, Mr. Gardner and Dolphin entered into an Employment Agreement, dated March 21, 1997 (the "Employment Agreement"). The Employment Agreement commenced on March 21, 1997 and shall terminate on March 21, 2001, subject to the possibility of earlier termination pursuant to the

provisions of paragraph 9 thereof. Pursuant to the terms of the Employment Agreement, Mr. Gardner shall be employed as the President and Chief Executive Officer of Dolphin. The Employment Agreement provides, among other things, that Gardner shall receive a "base salary" of not less than One Hundred Fifty Thousand Dollars ($150,000.00) per year and shall also be entitled to receive incentive compensation in an amount up to Fifty Thousand Dollars ($50,000.00), which amount of incentive compensation shall be predicated upon the Dolphin generating positive net income before income taxes. Mr. Gardner is also entitled to participate in and benefit from certain benefits of the Company and/or Dolphin, as the case may be.

In addition, pursuant to the Stock Purchase Agreement, the Company was required to deposit into escrow under the terms of an Escrow Agreement (the "Escrow Agreement") dated as of March 21, 1997, between the Company, the Seller and Commerce Bank, N.A., an additional 4,053 shares of unregistered shares of Common Stock and $20,000 in cash, which shares and cash shall be released from escrow pursuant to the terms of the Escrow Agreement.

The amount of the Consideration paid by the Company to the Seller was determined through arms-length negotiation of the parties. Dolphin's principal assets, generally, include (i) approximately 170 educational, tutorial and training software products developed since 1984; (ii) contract rights relating to the development by Dolphin of educational, tutorial and training software products; and (iii) miscellaneous equipment including computers and furniture. The Company intends to use Dolphin's assets in substantially the same manner as previously used. Dolphin is a provider of educational, tutorial and training software products. The Company anticipates that Dolphin's business will complement its existing business by, among other things, enhancing the Company's capabilities to produce content for educational and corporate clients and

providing the Company with access to testing, tutorial and training businesses for schools and corporations.

The foregoing description of the Stock Purchase Agreement, the Convertible Note, the Stock Pledge Agreement, the Employment Agreement and the Registration Rights Agreement and the transactions contemplated thereby are not intended to be complete and are qualified in their entirety by the complete text of such agreements, copies of which are attached to this Form 8-K as exhibits 10.1 through 10.5, respectively.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA

FINANCIAL INFORMATION AND EXHIBITS

(a) Financial Statements and Pro Forma Financial Information.

It is impracticable at this time for the Company to provide the financial statements that may be required to be included herein. The Company hereby undertakes to file such required financial statements as soon as practicable, but in no event later than sixty (60) days following the date on which this report on Form 8-K is required to be filed.

(c) Exhibits.

The following Exhibits are hereby filed as part of this Current Report on Form 8-K.

EXHIBIT	DESCRIPTION
10.1	Stock Purchase Agreement, dated as of March 21, 1997, between Byron Preiss Multimedia Company, Inc. (the "Company") and Andrew K. Gardner (the "Seller").
10.2	Convertible Note, dated March 21, 1997, in the principal amount of $1,750,000 from the Company to the Seller.
10.3	Stock Pledge Agreement, dated as of March 21, 1997, between the Company and the Seller.

10.4 Employment Agreement dated as of March 21, 1997 between Dolphin, Inc. and the Seller.

10.5 Registration Rights Agreement, dated as of March 21, 1997, between the Company and the Seller.

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 by the undersigned hereunto duly authorized.

BYRON PREISS MULTIMEDIA COMPANY, INC.

By: /s/ James R. Dellomo

Name: James R. Dellomo
Title: Chief Financial Officer

Date: March 27, 1997

STOCK PURCHASE AGREEMENT

BY AND BETWEEN

BYRON PREISS MULTIMEDIA COMPANY, INC.

AND

ANDREW K. GARDNER

MARCH 21, 1997

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STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement ("Agreement") is dated as of March 21, 1997, by and between ANDREW K. GARDNER (the "Seller") and BYRON PREISS MULTIMEDIA COMPANY, INC., a New York corporation (the "Purchaser").

W I T N E S S E T H:

WHEREAS, Dolphin Inc., a New Jersey corporation (the "Company"), is engaged principally in the business of producing educational, computer-based training, tutorial and testing programs and software; and

WHEREAS, the Seller owns all of the issued and outstanding shares of capital stock of the Company (the "Shares");

WHEREAS, the Seller desires to sell, and the Purchaser desires to purchase, all of the Shares on the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and the respective mutual covenants, representations and warranties herein contained, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I

DEFINITIONS

In addition to terms defined elsewhere in this Agreement, the following terms when used in this Agreement shall have the meanings indicated below:

"Affiliate" shall have the meaning specified in Rule 144 under the Securities Act.

"Agreement" shall mean this Stock Purchase Agreement together with all exhibits and schedules referred to herein.

"Arbitration" shall have the meaning set forth in Section 8.20.

"Association" shall have the meaning set forth in Section 8.20.

"Cash Consideration" shall have the meaning set forth in Section 2.2, which Cash Consideration constitutes a portion of the Consideration for the Shares.

"Closing" shall have the meaning set forth in Section 6.1.

"Closing Date" shall mean the date that the Closing takes place.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commercial Rules" shall have the meaning set forth in Section 8.20.

"Commission" shall mean the Securities and Exchange Commission.

"Common Stock" shall mean the common stock of the Company, without par value.

"Company Intellectual Property" shall have the meaning set forth in Section 4.20.

"Company Plans" shall have the meaning set forth in Section 4.26(b).

"Consideration" shall have the meaning set forth in Section 2.2.

"Convertible Note" shall mean that certain Convertible Promissory Note of even date herewith from the Purchaser to the Seller, which Convertible Note represents a portion of the Consideration for the Shares.

"Employment Agreements" shall have the meaning set forth in Section 4.26(a).

"Environmental Laws" shall have the meaning set forth in Section 4.31.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Escrow Agreement" means that certain Escrow Agreement of even date herewith among the Seller, the Purchaser, the Company, Sides and the Escrow Agent.

"Escrow Agent" shall mean the person acting as the escrow agent

under the Escrow Agreement.

"Financial Statements" shall mean the balance sheet of the Company as of December 31, 1995, and the related statements of income, cash flow and retained earnings, for the year ended December 31, 1995, including any related notes, audited by Leone, and the unaudited balance sheet of the Company as of December 31, 1996, and the related unaudited statements of income, cash flow and retained earnings for the year ended December 31, 1996.

"Gardner Employment Agreement" means that certain Employment Agreement of even date herewith between the Seller and the Company, accepted and agreed to as to Paragraph 10 thereof by the Purchaser.

"Guaranty" shall mean, as to any Person, all liabilities or obligations of such Person, with respect to any indebtedness or other obligations of any other person, which have been guaranteed, directly or indirectly, in any manner by such Person, through an agreement, contingent or otherwise, to purchase such indebtedness or obligation, or to purchase or sell property or services, primarily for the purpose of enabling the debtor to make payment of such indebtedness or obligation or to guarantee the payment to the owner of such indebtedness or obligation against loss, or to supply funds to or in any manner invest in the debtor, or otherwise.

"Hazardous Substances" shall have the meaning set forth in Section 4.31.

"Indemnified Party" shall have the meaning set forth in Section 5.3(c).

"Indemnifying Party" shall have the meaning set forth in Section 5.3(c).

"Intellectual Property" shall have the meaning set forth in Section 4.20.

"Investments" shall mean, with respect to any Person, all advances, loans or extensions of credit to any other Person, all purchases or commitments to purchase any stock, bonds, notes, debentures or other securities of any other Person, and any other investment in any other Person, including partnerships or joint ventures (whether by capital contribution or otherwise) or other similar

arrangement (whether written or oral) with any Person, including but not limited to arrangements in which (i) the Person shares profits and losses, (ii) any such other Person has the right to obligate or bind the Person to any third party, or (iii) the Person may be wholly or partially liable for the debts or obligations of such partnership, joint venture or other arrangement.

"Leased Property" shall have the meaning set forth in Section 4.17.

"Lease" shall have the meaning set forth in Section 4.17.

"Leone" means James F. Leone & Co.

"Licensed Intellectual Property" shall have the meaning set forth in Section 4.20.

"Licenses" shall have the meaning set forth in Section 4.19.

"Litigation" shall have the meaning set forth in Section 3.5.

"Material Agreements" shall have the meaning set forth in Section 4.28.

"PBGC" shall mean the Pension Benefit Guaranty Corporation.

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

"Pledge Agreement" shall mean that certain Pledge Agreement of even date herewith between the Purchaser and the Seller, which Pledge Agreement secures the Purchaser's obligations to the Seller under the Convertible Note.

"Product" shall have the meaning set forth in Section 4.30.

"Purchaser Common Stock" shall mean the Common Stock of the Purchaser, par value $.001 per share.

"Purchaser Financial Statements" shall have the meaning set forth in Section 3.15.

"Purchaser Intellectual Property" shall have the meaning set forth in Section 3.17

"Purchaser Shares" shall have the meaning set forth in Section 2.2, which Purchaser Shares constitute a portion of the Consideration for the Shares.

"Registration Rights Agreement" shall mean that certain Registration Rights Agreement of even date herewith between the Purchaser and the Seller.

"Related Party" shall have the meaning set forth in Section 4.22.

"SEC Documents" shall mean the following documents filed with the Commission, but not the exhibits annexed thereto and made a part thereof: (i) Purchaser's Annual Report on Form 10-KSB for the year ended December 31, 1995, (ii) the Purchaser's Quarterly Reports on Form 10-QSB for the quarters ended March 31, 1996, June 30, 1996 and September 30, 1996; (iii) the Purchaser's Proxy Statement in connection with the 1996 Annual Meeting of Shareholders; (iv) the Registration Statement on Form SB-2 filed with the Commission on or about May 10, 1996; and (v) the Form 8-K filed with the Commission on or about February 19, 1997.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Sides" means C. David Sides III.

"Sides Employment Agreement" means that certain Employment Agreement of even date herewith between Sides and the Company.

"Subsidiary" of any Person shall mean any Person, in which such Person owns, directly or indirectly, an equity interest of more than fifty percent (50%), or which may effectively be controlled, directly or indirectly, by such Person.

"Term" shall have the meaning ascribed to such term in the Gardner Employment Agreement.

"Work Made for Hire" shall have the meaning set forth in Section 4.20.

ARTICLE II

PURCHASE AND SALE OF THE SHARES; CONSIDERATION

2.1 Purchase and Sale of the Shares. At the Closing, the Seller shall sell, and the Purchaser shall purchase, all of the Shares for the Consideration set forth in Section 2.2 hereof.

2.2 Consideration. The aggregate consideration to be paid at the Closing (collectively, the "Consideration") shall consist of (a) Five Hundred Eighty Thousand Dollars ($580,000.00), consisting of Five Hundred Thousand Dollars ($500,000.00) payable by wire transfer to an account designated by Seller and Eighty Thousand Dollars ($80,000.00) to be deposited into an interest-bearing escrow pursuant to the Escrow Agreement (collectively, the "Cash Consideration"); (b) the Convertible Note, in the original principal amount of One Million Seven Hundred Fifty Thousand Dollars ($1,750,000.00), which Convertible Note is secured by a pledge of the Shares pursuant to the Pledge Agreement; and (c) Three Hundred Ninety-Five Thousand, Nine Hundred Forty-Seven (395,947) shares of unregistered Purchaser Common Stock (the "Purchaser Shares"). The value of the Consideration shall be determined after Closing by agreement of the parties or by an independent valuation company mutually agreed upon by the Company and the Purchaser. The Purchaser and Seller

shall each pay one-half of all transfer taxes, stamp taxes, or sales taxes, if any, arising out of the purchase of the Shares. The Purchaser Shares shall possess the registration rights set forth in the Registration Rights Agreement. In addition, Purchaser shall deposit into escrow under the Escrow Agreement an additional 4,053 shares of unregistered Purchaser Common Stock, and Twenty Thousand Dollars ($20,000) in cash, as set forth in the Escrow Agreement, which Purchaser Common Stock and cash shall be released from escrow as set forth in the Escrow Agreement.

2.3 Restrictions on Disposition. Before any disposition is made by the Seller of any of the Purchaser Shares or of any portion of the Convertible Note, the Seller shall give written notice to the Purchaser describing briefly the manner and timing of any such proposed disposition. If required by the Purchaser, no such disposition shall be made unless and until (a) the Seller has furnished to the Purchaser an opinion of his counsel that no registration, post-effective amendment, or notification under the Securities Act is required with respect to such disposition, and the Purchaser shall have advised the Seller that such counsel and such opinion are satisfactory to it (and the Purchaser agrees that it will not unreasonably delay or withhold its consent to or approval of said opinion); (b) a post-effective amendment or other registration

or notification has been filed by the Purchaser and has become effective; or (c) the Seller has obtained a "no-action letter" regarding the proposed disposition from the staff of the Commission and has delivered a copy thereof to the Purchaser, which no-action letter must be satisfactory to the Purchaser (and the Purchaser agrees that it will not unreasonably delay or withhold its consent to or approval of said no-action letter).

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

In order to induce the Seller to enter into this Agreement and to consummate the transactions contemplated hereby, the Purchaser makes the following representations and warranties to the Seller:

3.1 Organization; Standing and Power. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of New York. The Purchaser is duly qualified to transact business as a foreign corporation in all jurisdictions where the ownership or leasing of its properties or the conduct of its business requires such qualification, except where the failure to so qualify would not have a material adverse effect on the business, financial condition, results of operations or properties of Purchaser.

The Purchaser has all requisite right, power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. The Purchaser has the requisite power and authority to own or lease and operate its properties and conduct its business as presently conducted.

3.2 Authorization; Enforceability. The execution, delivery and performance of this Agreement by the Purchaser and the other documents to which Purchaser is a signatory thereto entered into pursuant to or in connection with the transactions contemplated by this Agreement and the consummation by the Purchaser of the transactions contemplated hereby, including without limitation the issuance and delivery of the Purchaser Shares and the Convertible Note have been duly authorized by all requisite corporate action on the part of the Purchaser. This Agreement, the Convertible Note, the Pledge Agreement, the Registration Rights Agreement, the Escrow Agreement and all other documents executed by the Purchaser in connection with this Agreement have been duly executed and delivered by the Purchaser and constitute legal, valid and binding obligations of the Purchaser, enforceable in accordance with their terms, except to the extent that enforcement is limited by bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights generally and by general principles of equity.

3.3 No Violation or Conflict. The execution, delivery and performance of this Agreement by the Purchaser and the consummation by the Purchaser of the transactions contemplated hereby: (a) do not violate or

conflict with any provision of law or regulation, or any writ, order or decree of any court or governmental or regulatory authority (the violation of

which would interfere in any material respect with Purchaser's ability to consummate the transactions contemplated hereby) applicable to the Purchaser, or any provision of the Purchaser's Certificate of Incorporation or Bylaws; and (b) except as set forth on Schedule 3.3 hereto, do not, with or without the passage of time or the giving of notice, result in the breach of, or constitute a default, cause the acceleration of performance or require any consent under, or result in the creation of any material lien, charge or encumbrance upon any material property or assets of the Purchaser pursuant to, any material instrument or agreement to which the Purchaser is a party or by which the Purchaser or its properties may be bound or affected in any material respects, other than instruments or agreements as to which consent shall have been obtained at or prior to the Closing (each of which instruments or agreements is specifically identified in Schedule 3.3 hereto).

3.4 Consents of Governmental Authorities and Others. Except as set forth on Schedule 3.4, no consent, approval or authorization of, or registration, qualification or filing with, any federal, state or local governmental or regulatory authority, or any other Person, is required to be

made by the Purchaser in connection with the execution, delivery or performance of this Agreement by the Purchaser or the consummation by the Purchaser of the transactions contemplated hereby, except where the failure to obtain such would not have a material adverse effect on the business financial condition, results of operations or properties of Purchaser.

3.5 Litigation. Except as set forth on Schedule 3.5, or in the SEC Documents, there are no material actions, suits, investigations, claims or proceedings ("Litigation") pending or, to the knowledge of the Purchaser, threatened before any court or by or before any governmental or regulatory authority or arbitrator.

3.6 Brokers. The Purchaser has not employed any financial advisor, broker or finder in connection with the transactions contemplated by this Agreement and has not incurred (and will not incur) any broker's, finder's, investment banking or similar fees, commissions or expenses in connection with the transactions contemplated by this Agreement.

3.7 Compliance. The Purchaser is in compliance with all federal, state, local and foreign laws, ordinances, regulations, judgments, rulings and

orders applicable to it including, without limitation, those relating to: (a) the development, manufacture, packaging, distribution and marketing of its products; (b) employment, safety and health; (c) ERISA and tax matters; and (d) Environmental Laws, except where the failure to be in compliance would not have a material adverse effect on the business, except where the failure to comply would not have a material adverse effect on the business, financial condition, results of operations or properties of Purchaser. The Purchaser is not subject to any judicial, governmental or administrative order, judgment or decree.

3.8 Charter, Bylaws and Corporate Records. True and complete copies of: (a) the Certificate of Incorporation of the Purchaser, as amended and in effect on the date hereof, and (b) the Bylaws of the Purchaser, as amended and in effect on the date hereof, have been previously delivered to the Seller.

3.9 Capitalization. The authorized capital stock of the Purchaser consists of: (a) 30,000,000 shares of Common Stock, $.001 par value, of which 4,261,875 shares are issued and outstanding as of the date hereof; and (b) 5,000,000 shares of Preferred Stock, of which there are no shares issued and outstanding. All shares of the Purchaser's issued and outstanding capital stock have been duly authorized, are validly issued and outstanding, and are fully paid and nonassessable. No securities issued by the Purchaser from the date of its incorporation to the date hereof were issued in violation of any statutory or common law preemptive rights. There are no dividends which have accrued or been declared but are unpaid on the capital stock of the Purchaser.

3.10 Licenses. The Purchaser holds all material Licenses, domestic or foreign, which are required or utilized in the operation of the business of the Purchaser. The Purchaser is in substantial compliance with, and has conducted its business so as to substantially comply with, the terms of its respective Licenses, except where the failure to comply would not have a material adverse effect on the business, financial condition, results of operations or properties of Purchaser. No action or proceeding looking to or contemplating the revocation or suspension of any such Licenses is pending or, to the knowledge of the Purchaser, threatened.

3.11 Employment Policies. Schedule 3.11 contains a list of all of the Purchaser's material written employee policies, employee manuals or other material written statements of rules or policies as to working conditions, vacation and sick leave, a complete copy of each of which has been made available to Seller.

3.12 Labor Relations. The Purchaser is not a party to, otherwise bound by or overtly threatened with any labor or collective bargaining agreement. Without limiting the generality of Section 3.12, except as identified on Schedule 3.12: (a) no unfair labor practice complaints have been filed against the Purchaser with any governmental or regulatory agency, of which the Purchaser has received written notice; (b) the Purchaser has not received any written notice or communication reflecting an intention or threat to file any such complaint; (c) no Person has made or, to the best of Purchaser's knowledge, threatened any claim, against the Purchaser under any statute, regulation or ordinance relating to discrimination with respect to employees or employment practices; and (d) no claim is pending or, to the best of Purchaser's knowledge, threatened against the Purchaser in connection with the United States Wage and Hour Law, the Americans with Disabilities Act, the Occupational Safety and Health Act or similar law.

3.13 Disclosure. The Purchaser's filings and submissions with the Commission comply in all material respects with all applicable securities laws and no statement, report, or certificate filed with the Commission contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading. Except as disclosed to the public in press releases, in the SEC Documents since December 31, 1995, or the Purchaser Financial Statements, or except as set forth on Schedule 3.13, the Purchaser has conducted its business in the ordinary and usual course consistent with

past practices and there has not occurred any material adverse change on the business, financial condition, results of operations or properties of Purchaser.

3.14 Rights, Warrants, Options. Except as set forth on Schedule 3.14, or disclosed in the SEC Documents, the Purchaser does not have outstanding any: (a) securities or instruments convertible into or exercisable for any of the capital stock or other equity interests of the Purchaser; (b) options, warrants, subscriptions or other rights to acquire capital stock or other equity interests of the Purchaser; or (c) commitments, agreements or understandings of any kind, including employee benefit arrangements, relating to the issuance or repurchase by the Purchaser of any capital stock or other equity interests of the Purchaser, any such securities or instruments convertible into or exercisable for capital stock or other equity interests of the Purchaser or any such options, warrants or rights.

3.15 Financial Statements. The financial statements of the Purchaser contained in its filings with the Commission during 1996 and the audited 1996 year-end financial statements of the Purchaser previously delivered to the Seller (collectively, the "Purchaser Financial Statements"): (a) have been prepared in accordance with the books of account and records of the Purchaser; (b) fairly present in all material respects the Purchaser's financial condition and the results of its operations at the dates and for the periods specified therein; and (c) have been prepared in accordance with GAAP, consistently applied with prior periods.

3.16 Absence of Undisclosed Liabilities. Except as disclosed in the Purchaser Financial Statements, the SEC Documents or Schedule 3.16, to the best of the Purchaser's knowledge, the Purchaser does not have any material direct or contingent liabilities, commitments or obligations (other than nonmaterial liabilities, commitments or obligations incurred since the date of the Purchaser Financial Statements solely in the ordinary course of business consistent with past practices to Persons who are not Affiliates of the Purchaser) or any unrealized or anticipated losses from any commitments of the Purchaser.

3.17 Proprietary Rights.

(a) To the best of Purchaser's knowledge, and except as set forth on Schedule 3.17 there have been no claims made against the Purchaser asserting the invalidity, abuse, misuse, or unenforceability of any of the Purchaser's logo types, tools, libraries, utilities, routines, programs, software, copyrights, trademarks and tradenames, owned by the Purchaser (collectively, the "Purchaser Intellectual Property"), which if sustained would have a material adverse effect on the business, financial condition, results of operations or properties of Purchaser. To Purchaser's knowledge, there are no reasonable grounds for any such claims. Except as set forth on Schedule 3.17, the Purchaser has not (i) made any claim of any violation or infringement by others of its rights in the Purchaser Intellectual Property, and to the Purchaser's knowledge, no reasonable grounds for such claims exist, or (ii) received any written notice that it is in conflict with or infringing upon the asserted rights of others in connection with the Purchaser Intellectual Property. Neither the use of the Purchaser Intellectual Property, the operation of the Purchaser's business, the manufacture of its products, nor any formula, method,

process, part or material employed by the Purchaser in connection therewith is, to the best of the Purchaser's knowledge, infringing (nor has it infringed) upon

any rights of others which infringement would have a adverse effect material effect on the business, financial condition, results of operations or properties of the Purchaser. The consummation of the transactions contemplated hereby will not alter or impair in any material respects any of the Purchaser Intellectual Property. No material interests or rights of the Purchaser to any Purchaser Intellectual Property have been assigned, transferred, licensed or sublicensed by the Purchaser to third parties outside of the ordinary course of business except as disclosed in the SEC Documents or in Schedule 3.17.

(b) To the best of the Purchaser's knowledge, the Purchaser has all necessary software, copyrights and other rights to publish its existing titles, subject to the terms of the licenses granted to the Purchaser with respect to all material titles (none of which licenses, to the best of Purchaser's knowledge, contains unusual or uncommon terms that have resulted in a material adverse effect in the business, financial condition, results of operations or properties of the Purchaser). To the best of the Purchaser's knowledge, the Purchaser owns, has the right to use, sell, license all material Purchaser Intellectual Property required for or incident to the development, manufacture, operation and sale of all material products and services in the manner currently expected to be sold by the Purchaser, free and clear of any material rights, liens or claims of others subject to the terms of the licenses granted to the Purchaser with respect to such Purchaser Intellectual Property. The Purchaser has taken reasonably prudent measures to protect confidential Purchaser Intellectual Property; all persons engaged or employed by the Purchaser in a capacity having substantial access to or substantial knowledge of the Purchaser Intellectual Property of a confidential nature that is necessary or required or otherwise used for or in connection with the conduct or operation of the Purchaser's business have entered into appropriate non-disclosure agreements with the Purchaser. The Purchaser currently possesses all material licenses and sublicenses (collectively, the "Licensed Property") required to operate the business of the Purchaser and is not in default under any said Licensed Property, and said Licensed Property together with the Purchaser Intellectual Property includes substantially all material rights necessary for the Purchaser to be entitled to conduct its business as presently being conducted except where the failure to have such rights would not have a material adverse effect on the business, operations or properties of the Purchaser.

(c) No material payments, including maintenance fees, filings or registrations are required to be made so as to maintain the Purchaser Intellectual Property or the Licensed Property in full force and effect, except those payments made in the ordinary course of Purchaser's business pursuant to agreements which are in full force and effect.

3.18 Major Customers and Suppliers; Supplies. Except as indicated on Schedule 3.18, and in the SEC Documents to the Purchaser's knowledge, (i) no facts, circumstances or conditions exist which create a reasonable basis for

believing that the Purchaser will be unable to continue to procure the supplies and services necessary to conduct its business on substantially the same terms and conditions as such supplies and services are currently procured, and (ii) since December 31, 1995 there has not been any material adverse change in the

relations of the

Purchaser or any controversies with its material customers, suppliers, contractors, licensors and lessors; and the Purchaser has no knowledge that any of the Purchaser's major customers or suppliers has or is contemplating terminating its relationship with the Purchaser.

3.19 Related Parties. Except as set forth on Schedule 3.19 or disclosed in the SEC Documents, no director or executive officer of the Purchaser: (a) owns, directly or indirectly, any material interest in any person which is a material competitor, supplier or customer of the Purchaser; (b) owns, directly or indirectly, in whole or in part, any material property, asset or right, real, personal or mixed, tangible or intangible (including, but not limited to, any of the Purchaser Intellectual Property) which is utilized in the operation of the business of the Purchaser; or (c) has an interest in or is, directly or indirectly, a party to any material contract, agreement, lease or arrangement pertaining or relating to the Purchaser, except for employment and registration rights agreements previously provided to the Seller or his representatives.

3.20 Material Agreements.

(a) Except as disclosed on Schedule 3.20, the Purchaser is not a party to or bound by any agreement which materially restricts the Purchaser from engaging in any line of business or from competing with any other Person and has not to the best of Purchaser's knowledge breached any material warranties made with respect to products manufactured, packaged, distributed or sold by the Purchaser, except where such breach would not have a material adverse effect on the business, operations or properties of the Purchaser. The Purchaser has previously furnished to the Seller a true, complete and correct copy of the Form 8-K, together with exhibits thereto, filed with the Commission relating to the securities offerings of the Purchaser pursuant to Regulation S under the Securities Act and all materials in the Purchaser's possession or control concerning the investor(s) in such offering(s).

(b) The material agreements to which the Purchaser is a party are, to the best of Purchaser's knowledge each in full force and effect and are the valid and legally binding obligations of the Purchaser and, to the Purchaser's knowledge, the other parties thereto, enforceable in accordance with their respective terms, subject only to bankruptcy, insolvency or similar laws affecting the rights of creditors generally and to general equitable principles.

Except as set forth on Schedule 3.20, the Purchaser has not received written notice of any default by the Purchaser under any such material agreement and to the Purchaser's knowledge no event has occurred which, with the passage of time or the giving of notice or both, would constitute a default by the Purchaser thereunder. Except as disclosed on Schedule 3.20, to the Purchaser's knowledge, none of the other parties to any such material agreement is in default thereunder, nor has an event occurred which, with the passage of time or the giving of notice or both would constitute a default by such other party thereunder. The Purchaser has not received written notice of the pending or threatened cancellation, revocation or termination of any such agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE SELLER

In order to induce the Purchaser to enter into this Agreement and to consummate the transactions contemplated hereby, the Seller makes the following representations and warranties to the Purchaser:

4.1 Organization. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. The Company is duly qualified to transact business as a foreign corporation in all jurisdictions where the ownership or leasing of its properties or the conduct of its business requires such qualification and the failure to so qualify would have a material adverse effect on the business, financial condition, results of operations or properties of the Company. Each jurisdiction in which the Company is so qualified is listed on Schedule 4.1 hereto. The Company has all requisite right, power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. The Company has the requisite power and authority to own or lease and operate its properties and conduct its business as presently conducted.

4.2 Authorization; Enforceability. The Seller has the capacity to execute, deliver and perform this Agreement and the other documents to which Seller is a signatory thereto entered into pursuant to or in connection with the transactions contemplated by this Agreement. All documents executed and delivered by the Company pursuant to and in connection with the transactions contemplated by this Agreement have been duly authorized by all requisite corporate action on the part of the Company, and this Agreement and all documents to be executed and delivered by the Seller and the Company pursuant to this Agreement have been and will be duly executed and delivered by the Seller and the Company and constitute the legal, valid and binding obligations of the

Seller and the Company, enforceable in accordance with their respective terms, except to the extent that their enforcement is limited by bankruptcy, insolvency, reorganization or other laws relating to or affecting the

enforcement of creditors' rights generally and by general principles of equity.

4.3 No Violation or Conflict. The execution, delivery and performance of this Agreement by the Seller and the consummation by the Seller of the transactions contemplated hereby: (a) do not violate or conflict with any law or regulation (whether federal, state or local), writ, order or decree of any court or governmental or regulatory authority (the violation of which would interfere in any material respect with the Seller's ability to consummate the transactions contemplated hereby) applicable to the Company, or any provision of the Company's Certificate of Incorporation or Bylaws; and (b) except as set forth on Schedule 4.3 hereto, do not, with or without the passage of time or the giving of notice, result in the breach of, or constitute a default, cause the acceleration of performance or require any consent under, or result in the creation of any material lien, charge or encumbrance upon any material property or assets of the Seller or the Company pursuant to any material instrument or agreement to which the Seller or the Company is a party or by which the Seller or the Company or their

respective properties may be bound or affected, other than instruments or agreements as to which consent shall have been obtained at or prior to the Closing (each of which instruments or agreements is specifically identified in Schedule 4.3 hereto).

4.4 Consents of Governmental Authorities and Others. Except as set forth on Schedule 4.4, no consent, approval or authorization of, or registration, qualification or filing with, any federal, state or local governmental or regulatory authority, or any other Person, is required to be made by the Seller or the Company in connection with the execution, delivery or performance of this Agreement by the Seller or the consummation by the Seller of the transactions contemplated hereby, except where the failure to obtain such would not have a material adverse effect on the business, financial condition, results of operations or properties of the Company.

4.5 Conduct of Business. Except as disclosed on Schedule 4.5 hereto or as contemplated by this Agreement, since December 31, 1995, the Company has conducted its business in the ordinary and usual course consistent with past practices and there has not occurred any material adverse effect in the business, financial condition, results of operations or properties of the

Company. Without limiting the generality of the foregoing, except as disclosed on Schedule 4.5 or as contemplated by this Agreement, since December 31, 1995, the Company has not: (a) amended its Certificate of Incorporation or Bylaws; (b) issued, sold or authorized for issuance or sale, shares of any class of its securities (including, but not limited to, by way of stock split or dividend) or any subscriptions, options, warrants, rights or convertible securities, or entered into any agreements or commitments of any character obligating it to

issue or sell any such securities; (c) redeemed, purchased or otherwise acquired, directly or indirectly, any shares of its capital stock or any option, warrant or other right to purchase or acquire any such shares; (d) suffered any damage, destruction or loss, whether or not covered by insurance, which has had or could have a material adverse effect on business, financial condition, results of operations or properties of the Company; (e) granted or made any mortgage or pledge or subjected itself or any of its properties or assets to any lien, charge or encumbrance of any kind, except liens for taxes not currently due; (f) made or committed to make any capital expenditures in excess of Five Thousand Dollars ($5,000.00); (g) become subject to any Guaranty; (h) granted any increase in the compensation payable or to become payable to directors, officers or employees, except pursuant to the Gardner Employment Agreement or the Sides Employment Agreement or as disclosed on Schedule 4.24, and has not modified any bonus, pension, profit-sharing or other material employee benefit plan in a manner that will materially increase the costs thereof; (i) entered into any Material Agreement not disclosed in the schedules to this Agreement, or terminated any existing Material Agreement (except through completion) or received notice of any such termination; (j) experienced any strike, work stoppage or slowdown; (k) received notice of any material adverse change in any material relationship with any financial institution or any customer or supplier required to be identified on Schedule 4.21, nor is it aware of any circumstances likely to lead to such a material change; or (l) experienced any other event or condition of any character (including any delay in the development of the Company's Products) which has had or is likely to have a material

adverse effect on the business, financial condition, results of operations or properties of the Company.

4.6 Litigation. Except as set forth on Schedule 4.6, there is no Litigation pending or to the knowledge of Seller threatened before any court or by or before any governmental or regulatory authority or arbitrator: (a) affecting the Company (as plaintiff or defendant) which could, individually or in the aggregate, have a material adverse effect on the business, financial condition, results of operations or properties of the Company; or (b) against

the Seller or the Company relating to the Shares or the transactions contemplated by this Agreement. Schedule 4.6 sets forth a list of any Litigation commenced against the Company in the past five (5) years.

4.7 Brokers. With the exception of National Capital Companies, LLC, neither the Seller nor the Company has employed any financial advisor, broker or finder, and neither of them has incurred or will incur any broker's, finder's, investment banking or similar fees, commissions or expenses in connection with the transactions contemplated by this Agreement. The Seller will be solely responsible for all fees of National Capital Companies, LLC incurred in connection with the transactions contemplated by this Agreement.

4.8 Compliance. Except as set forth on Schedule 4.8, the Company is in compliance with all federal, state, local and foreign laws, ordinances, regulations, judgments, rulings and orders applicable to it including, without limitation, those relating to: (a) the development, manufacture, packaging, distribution and marketing of the Products; and (b) employment, safety and health, where non-compliance would have a material adverse effect on the business, operations or properties of the Company. The Company is not subject to any judicial, governmental or administrative order, judgment or decree.

4.9 Charter, Bylaws and Corporate Records. True and complete copies of: (a) the Certificate of Incorporation of the Company, as amended and in effect on the date hereof, (b) the Bylaws of the Company, as amended and in effect on the date hereof, and (c) the minute books of the Company have been previously delivered to the Purchaser. The Company's minute books contain complete and accurate records of all meetings and other corporate actions of the board of directors, committees of the board of directors, incorporators and shareholders of the Company from the date of its incorporation to the date hereof.

4.10 Subsidiaries and Investments. Except for bank deposits and money market accounts, the Company has no Subsidiaries or Investments.

4.11 Capitalization. The authorized capital stock of the Company consists of 18,000 shares of common stock, without par value, of which 100 shares are issued and outstanding. All issued and outstanding shares of the Company's capital stock have been duly authorized, are validly issued and outstanding, and are fully paid and nonassessable. No securities issued by the Company from the date of its incorporation to the date hereof were issued in violation of any statutory or common law preemptive rights. There are no dividends

which have accrued or been declared but are unpaid on the capital stock of the Company. Except as set forth on Schedule 4.11 hereto, all taxes required to be paid in connection with the issuance and any transfers of the Company's capital stock have been paid. All permits or authorizations required to be obtained from or registrations required to be effected with any Person in connection with any and all issuances of securities of the Company from the date of the Company's incorporation to the date hereof have been obtained or effected and all securities of the Company have been issued and are held in accordance with the provisions of all applicable securities or other laws. The Shares constitute one hundred percent (100%) of the issued and outstanding capital stock of the Company.

4.12 Rights, Warrants, Options. There are no outstanding: (a) securities or instruments convertible into or exercisable for any of the capital stock or other equity interests of the Company; (b) options, warrants, subscriptions or other rights to acquire capital stock or other equity interests of the Company; or (c) commitments, agreements or understandings of any kind, including employee benefit arrangements, relating to the issuance or repurchase by the Company of any capital stock or other equity interests of the Company, any such securities or instruments convertible into or exercisable for capital stock or other equity interests of the Company or any such options, warrants or rights.

4.13 Financial Statements. The Company has previously delivered to the Purchaser true and complete copies of its Financial Statements. The Financial Statements: (a) have been prepared in accordance with the books of account and records of the Company; (b) fairly present in all material respects the Company's financial condition and results of operations at the dates and for the periods specified in the Financial Statements; and (c) have been prepared in accordance with United States generally accepted accounting principles ("GAAP") consistently applied with prior periods.

4.14 Absence of Undisclosed Liabilities. Except (a) as disclosed in the Financial Statements, (b) as disclosed in Schedule 4.14, or (c) pursuant to warranties contained in contracts entered into in the ordinary course of business, to the best of the Seller's knowledge, the Company does not have any material direct or contingent liabilities, commitments or obligations (other than nonmaterial liabilities, commitments or obligations incurred since the date of said Financial Statements solely in the ordinary course of business consistent with past practices to Persons who are not Affiliates of the Seller or the Company) or any material unrealized or anticipated losses from any commitments of the Company.

4.15 Title to Shares. The Seller is the record and beneficial owner of the Shares and, except with respect to the Pledge Agreement, the Shares are owned free and clear of any liens, encumbrances, pledges, security interests and claims whatsoever, including, without limitation, claims or rights under any

voting trust agreements, shareholder agreements or other agreements. Subject to the terms and conditions of this Agreement and the Pledge Agreement, at the Closing the Seller will transfer and convey, and the Purchaser will acquire, good and marketable title to the Shares, free and clear of all liens, encumbrances, pledges, security interests and claims whatsoever.

4.16 Title to and Condition of Personal Property. The Company has good and marketable title to each material item of equipment and other personal property, tangible and intangible, included as an asset in the Financial Statements dated December 31, 1996 or acquired since such date (other than property subsequently utilized or disposed of in the ordinary course of business), free and clear of any material security interests, liens, claims, charges or encumbrances whatsoever, except as set forth in Schedule 4.16 hereto or as set forth in the Financial Statements dated December 31, 1996. Except as set forth in Schedule 4.16, all tangible personal property with a replacement value in excess of Four Thousand Dollars ($4,000.00) owned by the Company or used by the Company on the date hereof in the operation of its business is in good operating condition and in a good state of maintenance and repair. Except for the Lease, personal property leased to the Company and Intellectual Property licensed to the Company, there are no material assets owned by any third party which are used in the operation of the business of the Company, as presently conducted or proposed to be conducted. Notwithstanding the foregoing, it is expressly recognized that the artwork, home personal computer and printer and other personal property identified on Schedule 4.16 is owned by the Seller and not by the Company and that the Seller shall retain all rights in such property after the Closing.

4.17 Real Property. The Company does not own any fee simple interest in real property or sublease any real property. The Company does not lease any real property other than as set forth on Schedule 4.17, which sets forth the street address of the sole parcel of real property leased by the Company (the "Leased Property"). The Company has previously delivered to the Purchaser a true and complete copy of the lease, as amended to date (the "Lease"), relating to the Leased Property. The Company enjoys a peaceful and undisturbed possession of the Leased Property. To the best knowledge of the Seller, no person other than the Company has any right to use or occupy part of the Leased Property. The Lease is in full force and effect and is a valid and legally binding obligation of the Company and, to the best of Seller's knowledge, the landlord thereto. All rent and other sums and charges payable under the Lease are current, no notice of default or termination under the Lease is outstanding, no termination event

or condition or uncured default on the part of the Company or, to the best knowledge of the Seller, the landlord exists under the Lease, and no event has occurred and no condition exists which, with the giving of notice or the lapse of time or both, would constitute such a default or termination event or condition by the Seller. The Company has not experienced any material interruption in the services provided to the Leased Property within the past six (6) months. To the best of the Seller's knowledge, the landlord under the Lease has no plans to make any material alteration to the Leased Property, the cost of which would be borne in any part by the Company except as otherwise set forth on Schedule 4.17.

All permits, licenses, franchises, approvals and authorizations of all governmental authorities having jurisdiction over the Leased Property required to have been issued to the Company to enable the Leased Property to be lawfully occupied and used for all of the purposes for which it is currently occupied are, as of the date hereof, in full force and effect.

4.18 Insurance. Schedule 4.18 sets forth a true and complete list of all insurance policies providing insurance coverage of any nature to the Company. The Company has previously made available to the Purchaser a true and complete copy of all of such insurance policies, as amended to the date hereof. Such policies are sufficient for compliance by the Company with all requirements of law and all agreements to which the Company is a party or by which any of its assets are bound. All of such policies are in full force and effect and are valid and enforceable in accordance with their terms, and the Company has complied with all terms and conditions of such policies, including premium payments. None of the Company's insurance carriers has indicated to the Company an intention to cancel any such policy. The Company has no claim pending against any of the insurance carriers under any of such policies and there has been no actual or alleged occurrence of any kind which may give rise to any such claim.

4.19 Licenses. The Company holds all material governmental, franchises, authorizations, permits, certificates, variances, exemptions, orders and approvals, domestic or foreign (collectively, the "Licenses") which are required or utilized in the operation of the business of the Company. Schedule 4.19 lists all the Licenses. The Company is in substantial compliance with, and has conducted its business so as to substantially comply with, the terms of its respective Licenses, except where the failure to comply would not have a material adverse effect on the business, operations or properties of the Company. The Company has not engaged in any activity that would cause revocation

or suspension of any such Licenses, except where the failure to comply would not have a material adverse effect on the business, operations or properties of the Company. No action or proceeding looking to or contemplating the revocation or suspension of any such Licenses is pending or, to the knowledge of the Seller, threatened.

4.20 Proprietary Rights.

(a) The Company has not applied for or obtained any registrations for copyrights, patents, trade or service marks, trade names or logo types. For purposes of this Agreement, "Company Intellectual Property" shall mean all logo types, tools, libraries, utilities, routines and programs owned and in current use by the Company and, together with the Licensed Intellectual Property (as hereinafter defined), the ("Intellectual Property"). Schedule 4.20A sets forth all the material Company Intellectual Property. Schedule 4.20B is a list of all programs developed within the past year by the Company for third parties, which programs the Company has either licensed to such third parties (the "Licensed Intellectual Property") and/or developed as work made for hire ("Work Made for Hire"). All Licensed Intellectual Property that includes tools, libraries, utilities or routines identified on Schedule 4.20A has been published under the Company's notice of copyright. Except as set forth on Schedule 4.20C: (a) the Company is the sole and exclusive owner of all right, title and interest in and to all the Company Intellectual Property and, to the best of the Seller's knowledge, in and to each material invention, software, trade secret, technology, product, composition, formula, method or process used by the Company, and has the exclusive right to use and license the same, free and clear of any claim or conflict with the rights of others; (b) to the best of the Seller's knowledge,no royalties or fees (license or otherwise)

are payable by the Company to any Person by reason of

the ownership or use of any of the Intellectual Property; (c) there have been no claims made against the Company asserting the invalidity, abuse, misuse, or unenforceability of any Company Intellectual Property, and to the best of the Seller's knowledge, there are no reasonable grounds for any claims against the Intellectual Property; (d) the Company has not made any claim of any violation or infringement by others of its rights in Company Intellectual Property, and to the best of the Seller's knowledge, no reasonable grounds for such claims exist; (e) the Company has not received any written notice or, to the knowledge of Seller, has received another type of overt notice that it is in conflict with or infringing upon the asserted rights of others in connection with the Intellectual Property and neither the use of the Company Intellectual Property

by the Company, the operation of its business, the manufacture of its products, nor any formula, method, process, part or material employed by the Company in connection therewith, is infringing or has infringed upon any rights of others; (f) the Intellectual Property includes all rights necessary for the Company to be legally entitled to conduct its business as presently being conducted; (g) the consummation of the transactions contemplated hereby will not alter or impair in any material respects any of the Intellectual Property; and (h) no interests or rights of the Company to any Company Intellectual Property have been assigned, transferred, licensed or sublicensed by the Company to third parties outside the ordinary course of business.

(b) The Company has all necessary software, copyrights and other rights to publish its current existing titles, subject to the term of the licenses granted to the Company with respect to such titles. Schedule 4.20D hereto sets forth a true, complete and correct list of all titles of third parties used by the Company (published, unpublished and in process) and primary licensors. Except as disclosed on Schedule 4.20D hereto, during 1996, no third party developed in excess of 15% of any title developed by the Company, excepting development work performed internally by the customer of the Company that commissioned the title.

(c) Except as set forth on Schedule 4.20E hereto:

(i) subject to and/or with the exception of royalty obligations and any other contractual restrictions specifically described in Section 4.20 (including the Schedules thereto), the Company owns, has the right to use, sell, license, and, to the best of Seller's knowledge, prepare derivative works for, or dispose of all the Company Intellectual Property required for or incident to the development, manufacture, operation and sale of all products and services in the manner

currently expected to be sold by the Company, free and clear of any rights, liens or claims of others;

(ii) the Company owns or has the current right to use all software and/or programs of others as well as other Intellectual Property required for the conduct of its business;

(iii) the execution, delivery and performance of this Agreement and the consummation of the agreements contemplated herein will not breach, violate or conflict with any instrument or agreement governing any material Intellectual Property right or in any way exclude the right of the Company to use, sell, license or dispose of or bring any action for the infringement of, any Company Intellectual Property right;

(iv) the manufacture, marketing, modification, license, sale or use of the Intellectual Property used by the Company in connection with the conduct or operation of the Company's business does not violate any license or agreement with any third party or infringe any license or agreement with any third party or infringe any proprietary right or interest of any other party, except where such violation would not adverse effect on the business, operations or properties of the Company; and there are no pending or, to the Seller's knowledge, threatened claims or litigation contesting the validity, ownership or right to use, sell, license or dispose of any Company Intellectual Property that is required in connection with the conduct or operation of the Company's business, nor has the Company received any written notice to the knowledge of Seller has received asserting that any Company Intellectual Property right, or the proposed use, sale, license or disposition thereof by it conflicts or will conflict with the rights of any other party;

(v) the Company has taken reasonably prudent measures to protect confidential Intellectual Property of the Company, and all persons engaged or employed by the Company in any capacity having access to or knowledge of Company Intellectual Property of a confidential nature that is necessary or required or otherwise used for or

in connection with the conduct or operation of the Company's business have entered into appropriate non-disclosure agreements with the Company;

(vi) to the Seller's knowledge, the Company has not disposed of or permitted to lapse any rights to the use of any material Company Intellectual Property;

(vii) no person (except for employees of the Company whose rights are limited to those which are for the benefit of the Company) has any current, conditional or contingent right to have available to it any material Company Intellectual Property (including, without limitation, source codes in respect of software) which

is generally not available to the public and/or which is or

ought reasonably to be considered confidential or proprietary information; and

(viii) the Company currently possesses all licenses and sublicenses required to operate the business of the material Company and is not in default under any such licenses and sublicenses.

(d) No material payments, including maintenance fees, filings or registrations are required to be made so as to maintain the Intellectual Property in full force and effect, except those payments made in the ordinary course of Purchaser's business pursuant to agreements which are in full force and effect.

(e) Notwithstanding any language in this Section 4.20 to the contrary, the Seller shall not be in breach of this Section 4.20 by virtue of any statement herein if (i) the Seller does not have knowledge of the inaccuracy of such statement, and (ii) the inaccuracy did not result in a failure to disclose a material adverse effect on the business, financial condition, results of operations or properties of the Company.

4.21 Major Customers and Suppliers; Supplies. Set forth on Schedule 4.21 is a list of the Company's significant customers during the period from January 1, 1996 to the Closing Date of the Company and all non employee suppliers of significant goods or services to the Company for the year ended December 31, 1996. Except as indicated on Schedule 4.21, to the best of Seller's knowledge, no facts, circumstances or conditions exist which create a reasonable basis for believing that the Company will be unable to continue to procure the

supplies and services necessary to conduct its business on terms and conditions materially as favorable to the Company as the terms and conditions pursuant to which such supplies and services are currently procured. There has not been any material adverse change in the relations of the Company or any controversies with its material customers, suppliers, contractors, licensors and lessors as a result of the announcement or consummation of the transactions contemplated by this Agreement, and the Seller has no knowledge that any of the Company's major customers or suppliers is contemplating terminating its relationship with the Company.

4.22 Related Parties. To the Seller's knowledge, except as set forth on Schedule 4.22, neither the Seller nor, to the best of Seller's knowledge, any other officer or director of the Company nor any Affiliate of the foregoing (individually a "Related Party" and collectively the "Related Parties"): (a) owns, directly or indirectly, any interest in any material competitor, supplier or customer of the Company; (b) owns, directly or indirectly, in whole or in part, any property, asset or right, real, personal or mixed, tangible or intangible (including, but not limited to, any of the Intellectual Property but excluding personal property identified on Schedule 4.16) which is utilized in the operation of the business of the Company; or (c) has an interest in or is, directly or indirectly, a party to any contract, agreement, lease or arrangement pertaining or relating to the Company, except for employment, consulting or other personal service agreements that may be in effect and which are listed on Schedule 4.26A hereto. Since December 31, 1996, the Company has not made any payments or incurred any liabilities to any

Related Party (including without limitation dividends, distributions or bonuses to the Seller) except for compensation at rates not exceeding the rates set forth on Schedule 4.24.

4.23 List of Accounts. Set forth on Schedule 4.23 is: (a) the name and address of each bank or other institution in which the Company maintains an account (cash, securities or other) or safe deposit box; (b) the name and phone number of the Company's contact person at such bank or institution; (c) the account number of the relevant account and a description of the type of account; and (d) the signatories to each such account.

4.24 Personnel. Schedule 4.24 contains the names, job descriptions and annual salary rates and other compensation of all officers, directors, consultants (other than National Capital Companies, LLC) and employees of the Company (including compensation paid or payable by the Company under the Company Plans) and a list of all material written employee policies, employee manuals or other material written statements of rules or policies as to working conditions, vacation and sick leave, a complete copy of each of which has been made available to the Purchaser.

4.25 Labor Relations.

(a) The Company is not a party to, otherwise bound by or overtly threatened with any labor or collective bargaining agreement. Without limiting the generality of Section 4.6, except as identified on Schedule 4.25:

(i) no unfair labor practice complaints have been filed against the Company with any governmental or regulatory agency, of which either the Seller or the Company has received written notice; (ii) the Company has not received any written notice or communication reflecting an intention or threat to file any such complaint; (iii) no Person has made any claim or to the best knowledge of the Seller threatened any claim against the Company under any statute, regulation or ordinance relating to discrimination with respect to employees or employment practices; and (iv) no claim is pending or to the best knowledge of the Seller threatened against the Company in connection with the United States Wage and Hour Law, the Americans with Disabilities Act, the Occupational Safety and Health Act or similar law.

(b) To the best of the Seller's knowledge, no employee, consultant or agent of the Company is in violation of any term of any employment contract, confidentiality or non-disclosure agreement or any other contract, agreement, commitment or understanding relating to the relationship of such employee, consultant or agent with the Company or any other party.

(c) Each employee or consultant of the Company with permitted access to confidential or proprietary information of the Company has executed an agreement obligating such employee or consultant to hold confidential the Company's proprietary information.

(d) The Company is not aware that any officer or key employee intends to terminate employment with the Company.

4.26 Employment Agreements and Employee Benefit Plans.

(a) Employment Agreements. Except as set forth on Schedule 4.26A, or as set forth in the Company's articles of incorporation or bylaws, there are no employment, consulting, severance or indemnification arrangements, or agreements between the Company and any officer, director, consultant or employee ("Employment Agreements"). The Company has previously delivered or made available to the Purchaser true and complete copies of all of the Employment Agreements.

(b) Employee Benefit Plans. For purposes of this Agreement, "Company Plans" shall mean pension, retirement, stock purchase, stock bonus,

stock ownership, stock option, profit sharing, savings, medical, disability, hospitalization, insurance, deferred compensation, bonus, incentive, welfare or

other employee benefit plan, policy, agreement, arrangement or practice currently or previously maintained or contributed to by the Company for any of its directors, officers, consultants, employees or former employees. Except for the "Company Plans" set forth on Schedule 4.26B, the Company has no material Company Plans. Except as set forth on Schedule 4.26B, or as set forth in the Company's articles of incorporation or bylaws, there are no employment, consulting, severance or indemnification arrangements, or agreements between the Company and any officer, director, consultant or employee ("Employment Agreements"). The Company has previously made available to the Purchaser: (i) a true and complete copy of all of the material Company Plans (or, if oral, an accurate written summary thereof); (ii) if available, a current summary plan description (plus summaries of any subsequent material modifications thereto) for each material Company Plan; (iii) the latest IRS determination letter obtained with respect to any Company Plan qualified under Section 401 of the Code; and (iv) the Form 5500 for the last two (2) plan years for each Company Plan required to file such form except as set forth on Schedule 4.8. Except as set forth on Schedule 4.26B, none of the Company Plans are subject to ERISA and except as set forth on Schedule 4.26B, the Company has not established, maintained, made or been required to make any contributions to, or terminated, and has no liability with respect to, any "employee benefit plan" within the meaning of ERISA. Except as indicated on Schedule 4.26B or Schedule 4.8, the Company has not incurred any liability to the PBGC other than the requirement to pay premiums to the PBGC. The Company has paid all amounts required under applicable law and any Company Plan to be paid as a contribution to any Company Plan through the date hereof. The Company has set aside adequate reserves to meet contributions which are not yet due under any Company Plan. Neither the Seller, the Company or to the Seller's knowledge any other person has engaged in any transaction with respect to any Company Plan which would subject the Company to any material tax, penalty or liability for prohibited transactions. Except for the Gardner Employment Agreement or the Sides Employment Agreement, no Company Plan provides post-employment medical, health, or life insurance benefits for present or future retirees or present or future terminated employees, except for continuation coverage provided pursuant to the requirements of Section 4980B of the Code or Sections 601-608 of ERISA or a similar state law.

4.27 Tax Matters. The Company has previously delivered or made available to the Purchaser true, correct and complete copies of each of the federal, state and local income tax returns filed by the Company for 1993 through 1995. All tax returns and tax reports required to be filed with respect to the business and assets of the Company have been timely filed (or appropriate

extensions have been obtained) with the appropriate governmental agencies in all

jurisdictions in which such returns and reports are required to be filed, all of the foregoing as filed are true, correct and complete and reflect accurately all liability for taxes of the Company for the periods to which such returns relate in all material respects, and all amounts shown as owing thereon have been paid. All income, profits, franchise, sales, use, value added, occupancy, property, excise, payroll, FICA, FUTA and other taxes (including interest and penalties), if any, collectible or payable by the Company or relating to or chargeable against any of its assets, revenues or income through December 31, 1996 were fully collected and paid by such date or provided for by adequate reserves in the December 31, 1996 Financial Statements and the Company is current with all such payments through the Closing Date. No taxation authority has sought to audit the records of the Company for the purpose of verifying or disputing any tax returns, reports or related information and disclosures provided to such taxation authority. No claims or deficiencies have been asserted against the Company with respect to any taxes or other governmental charges or levies which have not been paid or otherwise satisfied or for which accruals or reserves have not been made in the December 31, 1996 Financial Statements, and the Seller and the Company have no reasonable basis to believe that such claims will be made. The Company has not waived any restrictions on assessment or collection of taxes or consented to the extension of any statute of limitations relating to taxation.

4.28 Material Agreements.

(a) Schedule 4.28 sets forth a brief description of all material executory written contracts or agreements relating to the Company (excluding contracts where the sole remaining obligation of the parties is a confidentiality obligation), not otherwise disclosed in the Schedules to this Agreement (which are hereby incorporated by reference into Schedule 4.28 and made a part thereof), including without limitation any: (i) executory contract including a commitment or potential commitment for expenditure or other obligation or potential obligation, or which provides for the receipt or potential receipt, involving in excess of Ten Thousand Dollars ($10,000.00) in any instance, or series of related executory contracts that in the aggregate give rise to rights or obligations exceeding such amount; (ii) indenture, mortgage, promissory note, loan agreement, guarantee or other agreement or commitment for the borrowing or lending of money or encumbrance of assets involving more than Five Thousand Dollars ($5,000.00) in each instance; (iii) agreement which restricts the Company from engaging in any line of business or from competing with any other Person; (iv) warranties made with respect to products manufactured, packaged, distributed or sold by the Company; or (v) any other contract, agreement, instrument, arrangement or commitment that is material to the condition (financial or otherwise), results of operations or business of the Company (collectively, and together with the Lease, the Employment Agreements, the Company Plans and all other agreements required to be disclosed on any Schedule to this Agreement, the "Material Agreements"). The Company has previously furnished or made available to the Purchaser true,

complete and correct copies of all written agreements, as amended, required to be listed on Schedule 4.28.

(b) Except as set forth on Schedule 4.28, none of the Material Agreements were entered into outside the ordinary course of business of the Company.

(c) The Material Agreements are each in full force and effect and are the valid and legally binding obligations of the Company and, to the best of the Seller's knowledge, the other parties thereto, enforceable in accordance with their respective terms, subject only to bankruptcy, insolvency or similar laws affecting the rights of creditors generally and to general equitable principles. Neither the Company nor the Seller has received written notice of default by the Company under any of the Material Agreements and, to the Seller's knowledge, no event has occurred which, with the passage of time or the giving of notice or both, would constitute a default by the Company thereunder. To the Seller's knowledge, none of the other parties to any of the Material Agreements is in default thereunder, nor has an event occurred which, with the passage of time or the giving of notice or both would constitute a default by such other party thereunder. Neither the Company nor the Seller has received notice of the pending or threatened cancellation, revocation or termination of any of the Material Agreements, (nor are any of them aware of any facts or circumstances which are reasonably likely to lead to any such cancellation, revocation or termination).

(d) Except as otherwise indicated on Schedule 4.28, the continuation, validity and effectiveness of the Material Agreements under the current terms thereof is consistent with the consummation of the transactions contemplated by this Agreement.

4.29 Guaranties. Except as set forth on Schedule 4.29, the Company is not a party to any Guaranty, and no Person is a party to any Guaranty for the benefit of the Company.

4.30 Products. Except as set forth on Schedule 4.30, there exists no set of facts to the best of Seller's knowledge which could furnish a reasonable basis for the recall, withdrawal or suspension of any title or product distributed or sold by the Company (a "Product").

4.31 Environmental Matters. The Company is in compliance in all material respects with all laws, regulations and other federal, state or local governmental requirements, and all applicable judgments, orders, writs, notices,

decrees, permits, licenses, approvals, consents or injunctions relating to the generation, management, handling, transportation, treatment, disposal, storage, delivery, discharge, release or emission of Hazardous Substances utilized by Company in its business (collectively, the "Environmental Laws"). For purposes of this Agreement, "Hazardous Substances" means all substances defined as Hazardous Substances, Oils, Pollutants or Contaminants in the National Oil and Hazardous Substances Pollution Contingency Plan, 40 C.F.R. ss. 300.5, or defined as such by, or regulated as such under, any Environmental Law. Except as described on Schedule 4.31, neither the Seller nor the Company has received any

complaint, notice, order, or citation of any actual, threatened or alleged

noncompliance by the Company with any of the Environmental Laws, and there is no proceeding, suit or investigation pending or, to the best of Seller's knowledge, threatened against the Company with respect to any violation or alleged violation of the Environmental Laws, and to Seller's knowledge, there is no reasonable basis for the institution of any such proceeding, suit or investigation.

4.32 Insolvency. The Company is able to pay its debts as they mature and the transfer of the Shares by the Seller to the Purchaser in accordance with the terms of this Agreement shall not constitute a voidable preference or transfer in fraud against any creditor under applicable federal or state insolvency law.

4.33 Investment Representations.

(a) The Seller is an "accredited investor" as such term is defined in Rule 501 of Regulation D as promulgated under the Securities Act.

(b) The Seller understands and acknowledges that neither the Purchaser Shares nor the Convertible Note has been registered under the Securities Act. The Seller hereby represents and warrants to the Purchaser that: (i) the Purchaser Shares and the Convertible Note are being acquired only for investment for the Seller's own account, and not as a nominee or agent and not with a view to the resale or distribution thereof, and the Seller has no present intention of selling, granting any participation in or otherwise distributing any interest therein within the meaning of the Securities Act, (ii) except as contemplated by the Registration Rights Agreement, the Sides Employment Agreement and the Escrow Agreement, the Seller does not have any contracts, understandings, agreements or arrangements with any Person to sell, transfer or grant participation to such Person or any third Person, with respect to any of

the Purchaser Shares or any interest in the Convertible Note, and (iii) the Seller has had an opportunity to seek outside advice with respect to the terms and conditions of this Agreement and his investment in the Purchaser Shares and the Convertible Note.

(c) Risk of Investment; Resale. The Seller acknowledges that he can bear the economic risk of his investment in the Purchaser Shares and the Convertible Note for an indefinite period of time and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment therein. The Seller understands that the Purchaser Shares and the Convertible Note are characterized as "restricted securities" under federal securities laws since they are being acquired in a transaction not involving a public offering and that under such laws and

applicable regulations the Purchaser Shares and the Convertible Note may not be resold without registration or an exemption from registration under the Securities Act. The Seller represents that he is generally familiar with and generally understands the existing resale limitations imposed by the Securities Act and the rules and regulations promulgated thereunder.

(d) Legending of Certificates. The Seller understands and agrees that the certificates evidencing the Purchaser Shares will bear an appropriate legend evidencing the

restricted nature of the Purchaser Shares and indicating that no transfer of any of the Purchaser Shares may be made unless such Purchaser Shares are registered under the Securities Act or an exemption from such registration is available, and that the Purchaser will instruct its transfer agents not to transfer any such Purchaser Shares unless such transfer shall be made in compliance with such legend. The legend shall be substantially in the form set forth below:

> "THE SALE, TRANSFER, ASSIGNMENT, PLEDGE OR HYPOTHECATION OF THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THESE SHARES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS DULY REGISTERED UNDER THE ACT OR UNLESS, IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY, SUCH TRANSACTION IS EXEMPT FROM THE REGISTRATION PROVISIONS OF THE ACT."

ARTICLE V

ADDITIONAL AGREEMENTS

5.1 Survival of Representations and Warranties; Effect of Representations and Warranties. The representations and warranties of the Purchaser and of the Seller set forth in this Agreement shall survive the Closing Date to the extent provided in Section 5.3(d) hereof. The representations, warranties and covenants set forth herein are the sole and exclusive representations, warranties and covenants made by the parties.

5.2 Investigation. The representations, warranties, covenants and agreements set forth in this Agreement shall not be affected or diminished in any way by any investigation (or failure to investigate) at any time by or on behalf of the party for whose benefit such representations, warranties, covenants and agreements were made.

5.3 Indemnification.

(a) By the Seller. Subject to Section 5.3(d) hereof, the Seller agrees to indemnify and hold harmless the Purchaser and its directors, officers, employees and agents from, against and in respect of, the full amount of any and all liabilities, damages, claims, deficiencies, fines, assessments, losses, taxes, penalties, interest, costs and expenses, including, without limitation, reasonable fees and disbursements of counsel, arising from, in connection with, or incident to (i) any material breach or violation of any of the representations, warranties, covenants or agreements of the Seller contained in this Agreement or any agreements referred to herein and delivered at or prior to the Closing; (ii) any and all claims arising out of, relating

to, resulting from or caused by any transaction, event, condition, occurrence or situation relating to the conduct of Company's business prior to the Closing Date, without regard to whether such claim exists on the Closing Date or arises at any time thereafter; (iii) notwithstanding any disclosure contained in this Agreement or the Schedules hereto, any matters disclosed on Schedule 4.8; and (iv) any and all third party actions, suits, proceedings, demands, assessments or judgments incidental to any of the foregoing.

(b) By the Purchaser. Subject to Section 5.3(d) hereof, the Purchaser agrees to indemnify and hold harmless the Seller from, against and in respect of, any and all liabilities, damages, claims, deficiencies, fines,

assessments, losses, taxes, penalties, interest, costs and expenses, including, without limitation, reasonable fees and disbursements of counsel, arising from, in connection with, or incident to (i) any breach or violation of any of the representations, warranties, covenants or agreements of the Purchaser contained in this Agreement or any agreement referred to herein and delivered at or prior to the Closing; (ii) any and all claims arising out of, relating to, resulting from or caused by any transaction, event, condition, occurrence or situation relating to the conduct of the Company's business arising or occurring on or after the Closing Date; and (iii) any and all third party actions, suits, proceedings, demands, assessments or judgments, costs and expenses incidental to any of the foregoing.

(c) Indemnity Procedure. A party or parties hereto agreeing to be responsible for or to indemnify against any matter pursuant to this Agreement is referred to herein as the "Indemnifying Party" and the other party or parties claiming indemnity is referred to as the "Indemnified Party".

An Indemnified Party under this Agreement shall, with respect to claims asserted against such party by any third party, give written notice to the Indemnifying Party of any liability which might give rise to a claim for indemnity under this Agreement promptly after the receipt of any written claim

from any such third party, and not later than twenty (20) days prior to the date any answer or responsive pleading is due, and with respect to other matters for which the Indemnified Party may seek indemnification, give prompt written notice to the Indemnifying Party of any liability which might give rise to a claim for indemnity; provided, however, that any failure to give such notice will waive any rights of the Indemnified Party only to the extent the rights of the Indemnifying Party are materially prejudiced.

The Indemnifying Party shall have the right, at its election, to take over the defense or settlement of such claim by giving written notice to the Indemnified Party at least ten (10) days prior to the time when an answer or other responsive pleading or notice with respect thereto is required. If the Indemnifying Party makes such election, it may conduct the defense of such claim through counsel of its choosing (subject to the Indemnified Party's approval of such counsel, which approval shall not be unreasonably withheld), shall be solely responsible for the expenses of such defense and shall be bound by the results of its defense or settlement of the claim. The Indemnifying Party shall not settle any such claim without prior notice to and consultation with the Indemnified Party, and no such settlement involving any equitable relief

and no settlement which might otherwise have a material adverse effect on the Indemnified Party may be agreed to without the written consent of the Indemnified Party (which consent shall not be unreasonably withheld). So long as the Indemnifying Party is diligently contesting any such claim in good faith, the Indemnified Party may pay or settle such claim only at its own expense and the Indemnifying Party will not be responsible for the fees of separate legal counsel to the Indemnified Party. If the Indemnifying Party does not make such election, or having made such election does not in the reasonable opinion of the Indemnified Party proceed diligently to defend such claim, then the Indemnified Party may (after written notice to the Indemnifying Party), at the expense of the Indemnifying Party, elect to take over the defense of and proceed to handle such claim in its discretion and the Indemnifying Party shall be bound by any defense or settlement that the Indemnified Party may make in good faith with respect to such claim. In connection therewith, the Indemnifying Party will fully cooperate with the Indemnified Party should the Indemnified Party elect to take over the defense of any such claim.

The parties agree to cooperate in defending such third party claims and the Indemnified Party shall provide such cooperation and such access to its books, records and properties as the Indemnifying Party shall reasonably request with respect to any matter for which indemnification is sought hereunder; and the parties hereto agree to cooperate with each other in order to ensure the proper and adequate defense thereof.

With regard to claims of third parties for which indemnification is payable hereunder, such indemnification shall be paid by the Indemnifying Party upon the earlier to occur of: (i) the entry of a judgment against the Indemnified Party and the expiration of any applicable appeal period; (ii) the entry of an unappealable judgment or final appellate decision against the Indemnified Party; or (iii) a settlement of the claim. Notwithstanding the foregoing, provided that there is no dispute as to the applicability of indemnification, the reasonable expenses of counsel to the Indemnified Party shall be reimbursed on a current basis by the Indemnifying Party if such expenses are a liability of the Indemnifying Party. With regard to other claims for which indemnification is payable hereunder, such indemnification shall be paid promptly by the Indemnifying Party upon demand by the Indemnified Party.

(d) Indemnity Limitations. Notwithstanding anything to the contrary herein, (i) no claim for indemnification for violation of any representation or warranty may be asserted after the second anniversary of the Closing Date; (ii) no party shall have any claim against the other unless and until all damages incurred by such party are in excess of $200,000, in which case such claim shall be for the full amount of such damages; and (iii) the maximum liability of each Indemnifying Party shall be $1,900,000. None of the limitations of this Section 5.3(d) shall apply with respect to (i) any action based upon intentional or fraudulent actions or misrepresentations of any party; or (ii) any action or claim for indemnity in excess of $500 described in Section 5.3(a)(iii) of this Agreement. Notwithstanding anything to the contrary contained herein, the amount of any liability of the Indemnifying Party (the "Liabilities") for which indemnification is due pursuant to this Section 5.3

shall be reduced by the amount of any (i) reduction in federal or state income taxes realized by the Indemnified Party attributable to such Liabilities; (ii) net insurance proceeds received by the Indemnified Party in connection

therewith (by virtue of subrogation or otherwise); and (iii) payments received by the Indemnified Party from third parties by virtue of indemnitee or subrogation payments; provided that if any such amounts are received by the Indemnified Party after the Indemnified Party has been fully indemnified for such Liabilities, then such party shall promptly account for and pay such amounts to the Indemnifying Party, up to the amount theretofore paid to such party by the Indemnifying Party as indemnification in respect of such Liabilities.

(e) The amount of the Liabilities for which indemnification is determined to be due pursuant to this Section 5.3 from the Seller to the Purchaser, shall be tendered by the Seller to the Purchaser: (i) through a reduction of a portion of the principal balance of the Convertible Note; (ii) by returning the Purchaser Shares; (iii) in cash; and (iv) through any other mechanism acceptable to the Purchaser. Notwithstanding anything to the contrary above, the Seller may only satisfy his indemnity obligations hereunder with

Purchaser Shares to the extent that the dollar value of such Purchaser Shares does not exceed fifty (50%) percent of the total amount of the Liabilities. For purposes of determining the value of the Purchaser Shares returned to the Purchaser pursuant to this Section 5.3, Purchaser Shares shall be deemed to have a value equal to the greater of: (i) fifty (50%) percent of the average of the closing NASDAQ bid and asked quotations for Purchaser Common Stock during the 30 day period immediately preceding (but not including) the Closing Date; or (ii) seventy (70%) percent of the average of the closing NASDAQ bid and asked quotations for Purchaser Common Stock during the 30 day period immediately preceding (but not including) the earlier of the date of (a) the determination by a court of competent jurisdiction and/or arbitration tribunal that such Liabilities are due or (b) the settlement of the claim.

5.4 General Release. As additional consideration for the purchase and sale of the Shares pursuant to this Agreement, the Seller hereby unconditionally and irrevocably releases and forever discharges, effective as of the Closing Date, the Company and its officers, directors, employees and agents, from any and all rights, claims, demands, judgments, obligations, liabilities and damages, whether accrued or unaccrued, asserted or unasserted, and whether known or unknown ("Claims"), relating to the Company which ever existed, now exist, or may hereafter exist (but excluding any claims that the Seller may have

against the Company based upon (i) the failure of the Company to pay salary or benefits due to him after the Closing Date or (ii) the failure of the Company after the Closing Date to fulfill any obligation to indemnify the Seller as employee, officer or director of the Company), by reason of any tort, breach of contract, violation of law or other act or failure to act which shall have occurred at or prior to the Closing Date, or in relation to any other liabilities of the Company to the Seller as of the Closing Date. The Seller expressly intends that the foregoing release shall be effective regardless of whether the basis for any claim or right hereby released shall have been known to or anticipated by the Seller. In addition, the Company hereby unconditionally and irrevocably releases and forever discharges, effective as of the Closing Date, the Seller from any and all Claims relating to the Seller which ever existed, now exist or may hereafter exist, by reason of any tort, breach of contract, violation of law or other act or failure to act which shall have occurred at or prior to the Closing Date (provided, however, that the foregoing shall in no way

diminish any liability of the Seller to the Purchaser for the breach of any representation or warranty contained in this Agreement).

ARTICLE VI

CLOSING; DELIVERIES; CONDITIONS PRECEDENT

6.1 Closing. Subject to the terms and conditions set forth herein, the closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Kane Kessler, P.C., 1350 Avenue of the Americas, New York, New York 10019, immediately upon execution of this Agreement, or on such other date and at such other place as may be agreed to by the parties. All proceedings to be taken and all documents to be executed at the Closing (including this Agreement) shall be deemed to have been taken, delivered and executed simultaneously, and no proceeding shall be deemed taken nor documents deemed executed or delivered until all have been taken, delivered and executed.

(a) At Closing, the Seller shall deliver the following documents to the Purchaser, duly executed:

(i) the certificates representing the Shares, together with stock powers duly executed in blank;

(ii) evidence that the only directors of the Company are the Seller, Byron Preiss and James Dellomo and the officers are the Seller, Sides, Byron Preiss and James Dellomo effective upon Closing;

(iii) the minute books of the Company, including its corporate seals, unissued stock certificates, stock registers, Certificate of Incorporation, bylaws and corporate minutes;

(iv) a certificate of the Secretary of State of the State of New Jersey, as of a recent date, as to the good standing of the Company and certifying its Certificate of Incorporation;

(v) any written consent (on terms satisfactory to the Purchaser) that is required under the terms of the Lease for consummation of the transactions contemplated hereby;

(vi) the written consent of any party to any of the Material Agreements whose consent is required for consummation of the transactions contemplated hereby;

(vii) the Gardner Employment Agreement;

(viii) a certificate, dated the Closing Date, of the Secretary of Company, setting forth the authorizing resolutions adopted by Company's Board of Directors with respect to the transactions contemplated hereby;

(ix) the Schedules to this Agreement, which shall have been delivered to the Purchaser in accordance with Section 8.2 hereof;

(x) the Escrow Agreement;

(xi) the Pledge Agreement;

(xii) an opinion letter from the Seller's counsel, Ballard Spahr Andrews & Ingersoll, addressed to the Purchaser and in form and substance reasonably acceptable to the Purchaser, which opinion may rely upon the opinion of Stephen Bosch, Esq. with respect to matters with respect to which Mr. Bosch has provided legal services to the Company and/or the Seller;

(xiii) the Registration Rights Agreement;

(xiv) evidence that the Company has obtained the Key Man Insurance on the Seller's life, which policy will be effective at Closing;

(xv) the Sides Employment Agreement; and

(xvi) such other documents and instruments as the Purchaser may reasonably request.

(b) At Closing, the Purchaser shall deliver the following documents and instruments, duly executed, and the following funds to the Seller and/or the Escrow Agent:

(i) a wire transfer of funds to accounts designated by the Seller, in the aggregate amount of Five Hundred Thousand Dollars ($500,000.00) and a wire transfer to the Escrow Agent of an additional One Hundred Thousand Dollars ($100,000.00);

(ii) the Convertible Note;

(iii) the certificates representing the Purchaser Shares;

(iv) the Registration Rights Agreement;

(v) the Gardner Employment Agreement;

(vi) a certificate of the Secretary of State of the State of New York, as of a recent date, as to the good standing of the Purchaser

and certifying its Certificate of Incorporation;

(vii) a certificate, dated the Closing Date, of the Secretary of the Purchaser, setting forth the authorizing resolutions adopted by the Purchaser's Board of Directors with respect to the transactions contemplated hereby;

(viii) the Pledge Agreement;

(ix) the Escrow Agreement;

(x) an Opinion Letter from the Purchaser's counsel, Kane Kessler, P.C., addressed to the Seller, in form and substance reasonably acceptable to the Seller;

(xi) the financing statements on Form UCC-1 required in connection with the Pledge Agreement; and

(xii) such other documents and instruments as the Seller may reasonably request.

6.2 Best Efforts. Subject to the terms and conditions provided in this Agreement, each of the parties shall use their respective best efforts in good faith to take or cause to be taken as promptly as practicable all reasonable actions that are within his or its power to cause to be fulfilled those of the conditions precedent to his or its obligations or the obligations of the other parties to consummate the transactions contemplated by this Agreement that are dependent upon his or its actions, including obtaining all necessary consents, authorizations, orders, approvals and waivers.

ARTICLE VII

COVENANTS

7.1 Non-Competition. (a) The Seller agrees that, during the Term (as defined in the Gardner Employment Agreement) and for a period of one (1) year after the termination of the Seller's employment with the Company, the Seller shall not, in the United States or any other geographic area where the Company does business, alone or in association with others: (i) engage, directly or indirectly, in the development, manufacture, packaging, distribution and/or sale of educational software products and/or computer-based training, tutorial and testing programs (the "Competitive Activities"); (ii) have any interest in or be employed by (or act as a consultant to) any company which is primarily engaged in Competitive Activities; and/or (iii) be employed in (or act as a consultant to) any division of a company if such division is engaged in Competitive Activities. Notwithstanding the foregoing, ownership of any amount of the

securities of the Purchaser, the Company, any company controlled by the Purchaser and/or the Company or any successors thereof (each, a "Protected

Company") or the ownership of 5% or less of any class of outstanding securities of a company whose securities are listed on a national securities exchange (including the NASDAQ Stock Market) or traded on the NASDAQ Small- Cap Market shall not be deemed to constitute a breach of this Section 7.1.

(b) During the same period, the Seller shall not, and shall use his best efforts not to allow any person under his actual control (including employees and agents of the Company or any affiliated company under his actual control) to, directly or indirectly, on behalf of himself or any other person: (i) accept Competitive Activity business from or solicit Competitive Activity business of any person who is, or who had been at any time during the preceding one (1) year, a customer of any Protected Company, or otherwise divert or attempt to divert any Competitive Activity business from a Protected Company; (ii) recruit or otherwise solicit or induce any person who is an employee of, or otherwise engaged by, a Protected Company to terminate his or her employment or other relationship with such Protected Company or hire any person who has left the employ of any Protected Company during the preceding one (1) year; or (iii) use or purport to authorize any person to use any name, mark, logo, trade dress or other identifying words or images which are the same as or confusingly similar to those used at any time by a Protected Company in connection with any product or service.

(c) The restrictions set forth in this Section 7.1 are considered by the parties to be fair and reasonable. The Seller acknowledges that the restrictions contained in this Section 7.1 will not prevent him from earning a livelihood. The Seller further acknowledges that the Purchaser would be irreparably harmed and that monetary damages would not provide an adequate remedy in the event of a breach of the provisions of this Section 7.1. Accordingly, the Seller agrees that, in addition to any other remedies available to the Purchaser, the Purchaser shall be entitled to specific performance, injunction and other equitable relief to secure the enforcement of these provisions, and the party seeking such relief shall not be required to post bond as a condition thereto. If any provisions of this Section 7.1 relating to the time period, scope of activities or geographic area of restrictions is declared by a court of competent jurisdiction to exceed the maximum permissible time period, scope of activities or geographic area, the maximum time period, scope of activities or geographic area, as the case may be, shall be reduced to the maximum which such court deems enforceable. If any provisions of this Section 7.1 other than those described in the preceding sentence are adjudicated to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the original intentions and agreement of the parties.

(d) This Section 7.1 shall forever terminate and be of no further force and effect in the event that (i) the Purchaser acknowledges in writing or an arbitration panel under the Gardner Employment Agreement finally determines that the Company has terminated the Seller's employment without Cause (as defined in Paragraph 9(c) of the Gardner Employment Agreement), the Seller

has terminated his employment for Good Reason (as defined in Paragraph

9(d) of the Gardner Employment Agreement) or the Gardner Employment Agreement has terminated at its Term after the Company did not offer in writing, at least three (3) months prior to the end of the Term, to extend the Agreement for a one (1) year period on terms (including base salary, incentive compensation and benefits) at least as favorable as the terms prevailing at the end of the Term; and (ii) the Company fails to pay the Seller, within fifteen (15) days after such acknowledgement or determination, all amounts due under the Gardner Employment Agreement, which failure continues more than thirty (30) days after written notice thereof. This Section 7.1 shall also forever terminate and be of no further force and effect upon an Event of Default under Section 8(a) of the Convertible Note.

(e) It is expressly acknowledged and agreed that, immediately upon the termination or lapse of the limitations set forth in Section 7.1(a) hereof (whether pursuant to Section 7.1(d) hereof or otherwise), the Seller shall not be subject to any prohibition against engaging in Competitive Activities (or activities related to Competitive Activities), whether under this Agreement, common law or otherwise.

7.2 Preparation of Company Tax Returns Through Date of Closing. The Company shall file final income tax returns as an S corporation for the period from January 1, 1997 through the Closing Date. The Company's federal and state income tax returns for 1996 and the 1997 period ending on the Closing Date shall be prepared by Leone under the Seller's direction in a manner similar to previous tax returns.

7.3 Stockholder's Equity and Working Capital. As of February 28, 1997, the Company had (a) Stockholder's Equity (as such term is defined in the Pledge Agreement) of not less than $320,000, (B) Working Capital (as such term is defined in the Pledge Agreement) of not less than $205,000, and (C) a cash balance of not less than $115,000. From the period commencing February 28, 1997 through and including the Closing Date, the Seller has caused the Company to be operated in the ordinary and usual course consistent with past practices and has not distributed any cash or property to the Seller (other than salary) or taken any action which would materially effect the amount of such Stockholder's Equity, Working Capital and the cash balance, as of February 28, 1997.

ARTICLE VIII

MISCELLANEOUS

8.1 Notices. Any notice, demand, claim or other communication under this Agreement shall be in writing and shall be deemed to have been given upon

receipt or rejection thereof, if delivered personally or sent by certified mail, return receipt requested, postage prepaid, or sent by facsimile or prepaid overnight courier to the parties at the addresses set forth below their names on the signature pages of this Agreement (or at such other addresses as shall be specified by the parties by like notice). A copy of any notices delivered to the Purchaser shall also be sent to (i) Kane Kessler, P.C. - 26th Floor, 1350 Avenue of the America, New York, New York 10019, Attention: Robert L. Lawrence, Esq., Facsimile No. (212) 245-3009.

A copy of any notices delivered to the Seller shall also be sent to Ballard Spahr Andrews & Ingersoll, 1735 Market Street, 51st Floor, Philadelphia, Pennsylvania 19103-7599, Attention: Jeremy T. Rosenblum, Esq., Facsimile No. (215) 864-8999.

8.2 Entire Agreement. This Agreement (including the exhibits and schedules hereto) contains every obligation and understanding between the parties relating to the subject matter hereof and merges all prior discussions, negotiations and agreements (including, but not limited to, the Letter of Intent and the Confidentiality Agreement dated August 13, 1996), if any, between them, and none of the parties shall be bound by any conditions, definitions, understandings, warranties or representations other than as expressly provided herein. All exhibits and schedules referenced in this Agreement are expressly made a part of, and incorporated by reference into, this Agreement.

8.3 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, personal representatives, legal representatives, and permitted assigns.

8.4 Knowledge of the Parties. Where any representation or warranty contained in this Agreement is expressly qualified by reference to the best knowledge or the knowledge of any party hereto, such party acknowledges and confirms that it has made due and diligent inquiry as to the matters that are the subject of such representations and warranties.

8.5 Assignment. This Agreement may not be assigned by any party without the written consent of the other party.

8.6 Waiver and Amendment. Any representation, warranty, covenant, term or condition of this Agreement which may legally be waived, may be waived,

or the time of performance thereof extended, at any time by the party entitled to the benefit thereof, and any term, condition or covenant hereof (including, without limitation, the period during which any condition is to be satisfied or any obligation performed) may be amended by the parties at any time. Any such waiver, extension or amendment shall be evidenced by an instrument in writing executed on behalf of the appropriate party (in the case of the Purchaser by its

President, any Vice President or any other person who has been authorized by its Board of Directors to execute waivers, extensions or amendments on its behalf). No waiver by any party hereto, whether express or implied, of such party's rights under any provision of this Agreement shall constitute a waiver of such party's rights under such provisions at any other time or a waiver of such party's rights under any other provision of this Agreement. No failure by any party to take any action against any breach of this Agreement or default by another party shall constitute a waiver of the former party's right to enforce any provision of this Agreement or to take action against such breach or default or any subsequent breach or default by such other party.

8.7 No Third Party Beneficiary. Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any Person, including Sides, other than

the parties hereto and their respective heirs, personal representatives, legal representatives, successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

8.8 Severability. In the event that any one or more of the provisions contained in this Agreement shall be declared invalid, void or unenforceable, the remainder of the provisions of this Agreement shall remain in full force and effect, and such invalid, void or unenforceable provision shall be interpreted as closely as possible to the manner in which it was written.

8.9 Expenses. Each party agrees to pay, without right of reimbursement from the other party, the costs incurred by it incident to the performance of its obligations under this Agreement and the consummation of the transactions contemplated hereby, including, without limitation, costs incident to the preparation of this Agreement, and the fees and disbursements of counsel, accountants and consultants employed by such party in connection herewith. However, the cost of the audit of the Company undertaken at the Purchaser's behest in connection with this transaction shall be borne by the Purchaser and shall not be treated as a liability of the Company.

8.10 Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of any provisions of this Agreement.

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

8.12 Time of the Essence. Wherever time is specified for the doing or performance of any act or the payment of any funds, time shall be considered

of the essence.

8.13 Injunctive Relief. It is possible that remedies at law may be inadequate and, therefore, the parties hereto shall be entitled to equitable relief including, without limitation, injunctive relief, specific performance or other equitable remedies in addition to all other remedies provided hereunder or available to the parties hereto at law or in equity.

8.14 Remedies Cumulative. No remedy made available by any of the provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

8.15 Governing Law. This Agreement has been entered into and shall be construed and enforced in accordance with the laws of the State of New York without reference to the choice of law principles thereof.

8.16 Participation of Parties. The parties hereto acknowledge that this Agreement and all matters contemplated herein have been negotiated by both parties hereto and their respective legal counsel and that both parties have participated in the drafting and preparation of this Agreement from the commencement of negotiations at all times through the execution hereof.

8.17 Further Assurances. The parties hereto shall deliver any and all other instruments or documents required to be delivered pursuant to, or necessary or proper in order to give effect to, all of the terms and provisions of this Agreement including, without limitation, all necessary stock powers and such other instruments of transfer as may be necessary or desirable to transfer ownership of the Securities.

8.18 Publicity; Public Company. The parties hereto agree to cooperate in issuing any press release or other public announcement concerning this Agreement or the transactions contemplated hereby. The Seller acknowledges that the Purchaser is a publicly held company and as such is subject to certain federal and state securities laws concerning the trading of its securities. The Seller and the Purchaser shall not, and they shall cause their respective affiliates not to, issue any press release or otherwise make any public statement or respond to any press inquiry with respect to this Agreement or the transactions contemplated hereby without the prior approval of the other party, which approval will not be unreasonably withheld, except that any party may issue press releases or make public statements as they may reasonably believe to be required by law, in which event prior reasonable notice will be given to the other party.

8.19 Terms in Context. Whenever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in either the masculine, the feminine or the neuter gender shall include the masculine, feminine and neuter.

8.20 Arbitration. Any claim, controversy or dispute arising out of or relating to this Agreement or any interpretation or asserted breach thereof or performance thereunder, including without limitation any dispute concerning the scope of this arbitration provision, shall be settled by submission to final, binding and non-appealable arbitration ("Arbitration") for determination, without any right by any party to a trial de novo in a court of competent jurisdiction or a jury verdict. The Arbitration and all pre-hearing, hearing, post-hearing arbitration procedures, including those for Disclosure and Challenge, shall be conducted in accordance with the Commercial Arbitration Rules (the "Commercial Rules") of the American Arbitration Association (the "Association"), as supplemented by the procedures set forth in Exhibit "A" hereto.

8.21 Line of Credit. Notwithstanding any provision of this Agreement to the contrary, the parties acknowledge and agree as follows:

(a) As set forth in Schedule 4.5, the Company is currently party to a line of credit provided by Commerce Bank, N.A. (the "Line of Credit"). The Line of Credit

is secured by (i) a first lien on all furniture, fixtures, accounts receivable, equipment, merchandise, inventory, machinery, supplies and leasehold

improvements now owned and/or hereafter acquired by the Company; and (ii) a personal guaranty of the Seller and the Seller's wife, Tracy M. Gardner (the "Personal Guaranty").

(b) The Seller hereby represents and warrants to the Purchaser that there is no balance outstanding under the Line of Credit. After the Closing Date, the Purchaser shall not cause or allow the Company to borrow any amount under the Line of Credit without the Seller's prior written consent.

(c) It is not anticipated that the Company shall make any further borrowings under the Line of Credit so long as the Personal Guaranty remains in force. The parties hereto shall cooperate with each other in either eliminating the Personal Guaranty or terminating the Line of Credit, at Purchaser's option.

IN WITNESS WHEREOF, the parties hereto have each executed and delivered this Agreement as of the day and year first above written.

Purchaser:

BYRON PREISS MULTIMEDIA
COMPANY, INC.

By: /s/ Byron Preiss

Name: Byron Preiss
Title: Chief Executive Officer
and President

By: /s/ James R. Dellomo

Name: James R. Dellomo
Title: Chief Financial Officer
and Secretary

Address: 24 West 25th Street
New York, NY 10010

Facsimile No. (212) 627-2788

Seller:

/s/ Andrew K. Gardner

Andrew K. Gardner

Address: 10 Foster Avenue
Suite A2
Gibbsboro, NJ 08026

Facsimile No. (609) 783-6445

EXHIBIT "A"

Arbitration Procedures

1. Any party seeking arbitration of any issues arising under or in connection with this Agreement shall give notice of a demand to arbitrate (the "Demand") to the other party and to the American Arbitration Association (the "Association"). The Demand shall: (i) specify the issues to be determined; (ii) include a copy of this arbitration provision; and (iii) designate an arbitrator who shall have no prior or existing personal or financial relationship with the designating party.

2. Within 45 days after receipt of the Demand, the other party shall give notice (the "Response") to the party that demanded arbitration and to the Association. The Response shall: (i) specify any additional issues to be arbitrated; (ii) respond to the issues raised by the party that sent the Demand; and (iii) designate a second arbitrator who shall have no prior or existing personal or financial relationship with the designating party.

3. If a Response designating a second arbitrator is not received within the above-mentioned 45 day period, the Association shall immediately designate the second arbitrator.

4. The two arbitrators designated pursuant to the foregoing provisions shall designate a third arbitrator within ten (10) days after the designation of the second arbitrator. If the two arbitrators cannot agree on the designation of the third arbitrator within the ten (10) day period allocated, the Association shall designate the third arbitrator.

5. The arbitration panel as designated above shall proceed with the Arbitration by giving notice to all parties of its proceedings and hearings in accordance with the Association's applicable procedures. Within 20 days after all three arbitrators have been appointed, an initial meeting among the arbitrators and counsel for the parties shall be held for the purpose of

establishing a plan for administration of the Arbitration, including: (i) the definition of the issues; (ii) the scope, timing and type of discovery, which may at the discretion of the arbitrators include production of documents in the possession of the parties and/or depositions; (iii) the exchange of documents and the filing of detailed statements of claims and prehearing memoranda; (iii) the schedule and place of hearings; and (iv) any other matters that may promote the efficient, expeditious and cost-effective conduct of the proceeding. The arbitrators shall base their decision on the express terms, covenants and conditions of this Agreement and the substantive law specified by the Agreement. The arbitrators shall be bound to make specific findings of fact and reach conclusions of law, based upon the submissions and evidence of the parties, and shall issue a written decision explaining the basis for the decision and award.

6. The parties agree that the arbitrators shall have no power to alter or modify any express provision of the Agreement or to render any award which, by its terms, effects any such alteration or modification.

7. Upon written demand to any party to the Arbitration for the production of documents and things (including computer discs and data) reasonably related to the issues being arbitrated, the party upon which such demand is made shall promptly produce, or make available for inspection and copying, such documents or things without the necessity of any action by the arbitrators, provided, however, that no such demand shall be effective if made more than ninety (90) days after the receipt of the Response.

8. The arbitrators shall have the power to grant any and all relief and remedies, whether at law or in equity, that could be granted by a court with jurisdiction over the issues being arbitrated and such other relief as may be available under the Commercial Rules of the Association but shall have no power to award punitive damages. Any award of the arbitrators shall include pre-award and post-award interest at a rate or rates considered just under the circumstances by the arbitrators. The decision of the arbitrators shall be final and shall constitute an "award" within the meaning of the Commercial Rules. Judgment upon the arbitration award may be entered in any court with jurisdiction as if it were a judgment of that court.

9. Notwithstanding any other provision hereof to the contrary, the arbitrators shall have the power to assess to either party or to apportion between the parties any and all fees and expenses incurred in connection with the arbitration, including, without limitation, reasonable attorney's fees.

10. Notwithstanding any other provision hereof to the contrary, the parties specifically reserve the right to seek in court a temporary restraining order, preliminary injunction or similar non-permanent decree, but hereby grant the arbitration tribunal the right to make a final determination of the parties' rights and to dissolve, modify or render permanent andy such judicial order, injunction or decree.

11. Notwithstanding any other provision hereof to the contrary, the parties may modify any arbitration provision by mutual consent.

BYRON PREISS MULTIMEDIA COMPANY, INC.

7% CONVERTIBLE NOTE
DUE MARCH 1, 2001

$1,750,000.00 March 21, 1997

THE SALE, TRANSFER, ASSIGNMENT, PLEDGE OR HYPOTHECATION OF THIS NOTE IS SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND STATE SECURITIES LAWS. THIS NOTE MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS DULY REGISTERED UNDER THE ACT AND STATE SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO BPMC, SUCH TRANSACTION IS EXEMPT FROM THE REGISTRATION PROVISIONS OF THE ACT AND STATE SECURITIES LAWS.

BYRON PREISS MULTIMEDIA COMPANY, INC., a New York corporation ("BPMC"), for value received, hereby promises to pay to ANDREW K. GARDNER ("Gardner" and, together with any permitted assignee of this Note, the "Holder") the principal sum of ONE MILLION SEVEN HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS ($1,750,000.00), together with interest thereon.

1. Interest. Interest shall accrue on the unpaid principal balance of this Note at an annual rate of 7%. Interest shall not be compounded. However, interest that accrues during the period ending December 31, 1997 shall be added to the principal balance at December 31, 1997. For purposes of computing interest and for the convenience of the parties, it shall be irrebbutably presumed that payments are made on the first day of each month (although no presumption shall be made as to the fact or amount of payments).

2. Payments. (a) All payments under the Note shall be made by wire transfer to the account designated by Gardner for the receipt of cash consideration under the Purchase Agreement described in Section 4 hereof or to such other account as the Holder shall designate from time to time in the future. The outstanding principal balance of this Note on December 31, 1997, together with interest accruing thereon, shall be repaid in thirty-nine (39) equal monthly installments of $53,087.35, commencing January 2, 1998 and continuing on the first business day of each succeeding month. In the event that any payment is not made within ten (10) days after the due date thereof, a late charge equal to one percent (1%) of the amount not paid within such period shall be immediately due and payable for each month (or partial month exceeding ten (10) days) the amount remains

unpaid. Such late charge shall be added to the principal balance of this Note until paid.

(b) All unpaid principal, interest and/or other charges shall be due and payable in full on the "Maturity Date." As used herein, the term "Maturity Date" means March 1, 2001 or, if earlier, the date that any of the following events occurs:

(i) BPMC acknowledges in writing or an arbitrator determines in accordance with that certain employment agreement of even date herewith between Gardner and Dolphin Inc. (the "Gardner Employment Agreement") that Dolphin Inc. has terminated Gardner's employment without "Cause," as defined in the Gardner Employment Agreement;

(ii) BPMC acknowledges in writing or an arbitrator determines in accordance with the Gardner Employment Agreement that Gardner has terminated his employment under the Gardner Employment Agreement for "Good Reason," as defined in the Gardner Employment Agreement, as a result of a "Trigger Event," as defined in the Gardner Employment Agreement, under Paragraph 9(d)(i)(B) or 9(d)(i)(D) of the Gardner Employment Agreement; or

(iii) Gardner terminates his employment under the Gardner Employment Agreement for "Good Reason" in either of the following circumstances:

(A) Dolphin Inc. fails to cure, within the grace period specified in Paragraph 9(d)(iii) of the Gardner Employment Agreement, a material breach of any material provision of the Gardner Employment Agreement (including the failure of Dolphin Inc. to pay when due Gardner's base salary or incentive compensation, if earned), which material breach has been established pursuant to an "Accelerated Arbitration" pursuant to Paragraph 9(d)(iii) of the Gardner Employment Agreement; provided that Dolphin Inc. does not establish in such Accelerated Arbitration that it had "Cause" to terminate Gardner's employment at the time Gardner gave notice of the Trigger Event constituting such Good Reason; or

(B) (1) BPMC acknowledges in writing that Dolphin Inc. is in material breach of any material provision of the Gardner Employment Agreement (including the failure of Dolphin Inc. to pay when due Gardner's base salary or incentive compensation, if earned) and that Dolphin

Inc. did not have Cause to terminate Gardner's employment at the time Gardner gave notice of the Trigger Event constituting such Good Reason; and (2) Dolphin Inc. fails to cure such material breach within fifteen (15) days after the date of such acknowledgement.

(c) If this Note is not paid in full by the Maturity Date or after acceleration of this Note, interest shall accrue after the Maturity Date or after acceleration of this Note (and after any judgment under this Note) at an annual rate of eighteen percent (18%).

(d) All payments under this Note shall be applied first to interest and then to principal.

3. Prepayment; Partial Conversion. Subject to the possibility of waiver in writing by the Holder of any advance notice of prepayment of this Note, if BPMC desires to prepay this Note or any portion thereof, BPMC shall give the Holder not less than fifteen (15) days advance written notice substantially in the form of Exhibit A hereto, during which time the Holder may exercise his conversion rights under Section 5 hereof. In order to prepay this Note or any portion thereof, BPMC shall pay the Holder an amount equal to the "Prepayment Percentage" times the principal amount of this Note being prepaid; and the outstanding principal amount of this Note shall be reduced, upon such prepayment, by the full amount of the principal amount of this Note being prepaid, dollar for dollar, without giving effect to any reduction caused by application of the Prepayment Percentage. For purposes hereof, the term "Prepayment Percentage" means ninety percent (90%) of the principal amount of this Note being prepaid if the prepayment date is within ninety (90) days after the date hereof; ninety-three percent (93%) of the principal amount of this Note being prepaid if the prepayment date is within one hundred eighty (180) days after the date hereof; ninety-five percent (95%) of the principal amount of this Note being prepaid if the prepayment date is within one (1) year after the date hereof; and one hundred percent (100%) of the principal amount of this Note being prepaid if the prepayment date is at any later time. In the event of a partial prepayment or partial conversion of this Note into BPMC Common Stock, BPMC shall give written notice to the Holder, as part of its prepayment notice or within ten (10) days after the date of the Holder's conversion notice,

specifying either that: (a) the partial prepayment or conversion shall not postpone the due date of or change the amount of any subsequent installment, (other than the final installment(s), under this Note and shall instead reduce the number of required installments and/or the amount of the final installment; or (b) the remaining payments under this Note shall be adjusted so that the remaining principal balance of this Note and accrued interest thereon shall be repaid in full through that number of equal monthly payments remaining under Section 2 of this Note. In the event that BPMC fails to give the written notice specified in the immediately preceding sentence of its election under the preceding sentence, BPMC shall be deemed to have elected item (b) in the immediately preceding sentence.

4. Purchase Agreement.

(a) This Note is being given by BPMC to Gardner in partial payment of BPMC's obligations under that certain Stock Purchase Agreement of even date herewith between BPMC and Gardner (the "Purchase Agreement"), which Purchase Agreement provides for the sale of 100% of the outstanding capital stock of Dolphin Inc. by Gardner to BPMC. It is expressly understood and agreed that, except as set forth in Section 4(b) hereof, BPMC's obligations under this Note shall not be affected or limited by any breach or asserted breach by Gardner of his obligations under the Purchase Agreement, by any breach or asserted breach by Gardner of his obligations under any other agreement between the Holder and BPMC and/or its affiliates (including without limitation the Gardner Employment Agreement) and/or by any breach or asserted breach (whether of contract or of statute, regulation or common law duty) by the Holder.

(b) Notwithstanding any language in Section 4(a) to the contrary: (i) BPMC may offset against its payment obligations to the Holder hereunder (whether the Holder is Gardner or a transferee of this Note) any amount that Gardner or the Holder has been finally adjudged or determined to owe BPMC by a court of competent jurisdiction and/or an arbitration tribunal; (ii) BPMC may suspend payments hereunder during the period (and only during the period), if any, after an arbitration tribunal has determined that Gardner has breached his obligations to Dolphin Inc. under the Gardner Employment Agreement and prior to the time that the tribunal determines the damages suffered by

Dolphin Inc. and/or BPMC as a result of such breach; and (iii) after the arbitration tribunal determines the damages suffered by Dolphin Inc. and/or BPMC as a result of any such breach, BPMC shall resume making payments hereunder, without regard to Gardner's breach, provided that Gardner has tendered full payment of such damages in cash, through assignment of a portion of the principal balance of this Note, through a combination of the foregoing or through any other mechanism acceptable to BPMC. Such payments shall resume whether or not Dolphin Inc. accepts Gardner's tender.

(c) Upon a permitted transfer by the Holder of all or part of this Note, a new Note or Notes will be issued to the transferee and/or the Holder in exchange therefor, provided, however, if such transfer is during the Holder's lifetime, the transferee shall first agree in writing to be bound by the terms of this Note.

5. Conversion of Note.

(a) Conversion into Common Stock. At any time this Note or any part thereof remains outstanding, subject to and

upon compliance with the provisions of Section 5(b), the entire principal amount of this Note or at the option of the Holder any portion of the then outstanding principal amount of this Note which is not less than $100,000 and is any integral multiple of $1,000 may be converted into the number of duly authorized, validly issued, fully-paid and nonassessable shares of BPMC's Common Stock equal to the then unpaid principal amount of this Note being converted, divided by Five Dollars and Seventy-five Cents ($5.75), as may be adjusted from time to time in accordance with the terms hereof (the "Conversion Price"), provided that this conversion right may not be exercised by the Holder (and his direct and indirect transferees) more than seven (7) times in the aggregate. The shares of BPMC Common Stock received by the Holder shall be subject to the Registration Rights Agreement of even date herewith between BPMC and Gardner.

(b) Conversion Procedure. In order to exercise the conversion rights granted hereunder, the Holder shall surrender this Note to BPMC, on any business day after 9:00 a.m. and prior to 5:00 p.m. New York time, at BPMC's principal place of business, accompanied by a written notice substantially in

the form of Exhibit B hereto stating that the Holder irrevocably elects to convert this Note, or, if less than the entire principal amount thereof is to be converted, to convert a specified portion of this Note (which is not less than $100,000 and is any integral multiple of $1,000). The conversion shall be deemed to have been made at the time that the Note shall have been surrendered for conversion with proper notice of the amount to be converted. Upon surrender to BPMC for conversion: (i) this Note or such portion as is being converted shall be cancelled by BPMC and the rights of the Holder as to such converted amount shall cease at such time; (ii) the person or persons entitled to receive shares of Common Stock upon conversion of this Note (or portion thereof) shall be treated for all purposes as having become the record holder or holders of such shares of Common Stock at such time; (iii) BPMC shall deliver or cause to be delivered to such persons a certificate or certificates representing the number of duly authorized, validly issued, fully-paid and nonassessable shares of BPMC's Common Stock into which this Note (or portion thereof) has been converted in accordance with the provisions of this Section 5; and (iv) if this Note is converted in part only, BPMC shall execute and deliver to the Holder a new Note in a principal amount equal to the unconverted portion.

(c) Adjustment for Interest. In the event that all or any portion of this Note shall be converted, at the option of BPMC, any unpaid

accrued interest relating to such period either shall be paid in cash, or converted into additional shares of Common Stock at the Conversion Price for all such interest accrued.

(d) Tender. From and after tender to the Holder of the unpaid principal amount of this Note and all accrued but unpaid interest thereon on or after the Maturity Date hereof, (i) this Note shall not, for the purposes of this Note, or any other purpose, be deemed to be outstanding, and the rights of the Holder under this Note (except to receive the consideration tendered) shall cease, regardless of whether this Note has been surrendered; and (ii) the Holder shall be obligated to surrender this Note.

(e) Fractional Interests. No fractional shares of Common Stock shall be delivered upon conversion of this Note. In lieu of any fractional shares which otherwise would be deliverable upon exchange of this Note (or

portion thereof), the number of shares issuable upon such conversion will be rounded up to the next higher whole share (for fractions equal to or greater than one-half) or rounded down to the next lower whole share (for fractions less than one-half).

6. Anti-Dilution Provisions. The Conversion Price and the kind of securities receivable upon the conversion of this Note shall be subject to adjustment from time to time as hereinafter provided:

(a) Dividend, Etc. If the number of shares of Common Stock outstanding at any time after the date hereof is increased by a share dividend payable in Common Stock or by a subdivision or split-up of Common Stock, then, on the day following the date fixed for the determination of holders of Common Stock entitled to receive such share dividend, subdivision or split-up, the Conversion Price shall be appropriately decreased so that the number of shares of Common Stock issuable upon conversion of this Note shall be increased in proportion to such increase in outstanding shares.

(b) Combination. If the number of shares of Common Stock outstanding at any time after the date hereof is decreased by a combination of the outstanding Common Stock, then, on the day following the effective date of such combination, the Conversion Price shall be appropriately increased so that the number of shares of Common Stock issuable upon conversion of this Note shall be decreased in proportion to such decrease in outstanding shares.

(c) Reorganization, Etc. In the case, at any time after the date hereof, of any capital reorganization, or any reclassification of the Common Stock of BPMC (other than a change in par value or from par value to no par value or from no par value to par value or as a result of a share dividend or subdivision, split-up or combination of shares) or in case of the consolidation or merger of BPMC with or into any other

corporation (other than a consolidation or merger in which BPMC is the surviving corporation and which does not result in any change in the Common Stock issuable upon conversion of this Note), this Note shall after such capital reorganization, reclassification of Common Stock, consolidation or merger be

convertible into the kind and number of shares or other securities or property to which the Holder would have been entitled if the Holder had held the Common Stock issuable upon the conversion of the Note immediately prior to such capital reorganization, reclassification of Common Stock, consolidation or merger. BPMC shall not enter into any such consolidation or merger unless the surviving corporation or other person, as the case may be, shall assume in writing the obligations provided in this Note.

(d) Rounding. All calculations under this Section 6 shall be made to the nearest cent, provided that any adjustment less than one cent shall be carried forward and made at the time of the next adjustment which, together with all adjustments so carried forward, equals one cent or more.

(e) Certificate of Calculation. Whenever the conversion price shall be adjusted as provided in this Section 6, BPMC shall forthwith file, at its office designated as herein provided, a statement, signed by its chief financial officer, showing in detail the facts requiring such adjustment and the Conversion Price that shall be in effect after such adjustment. BPMC shall also cause a notice setting forth any such adjustment to be sent by registered or certified mail, postage prepaid, to the Holder at the Holder's address appearing on BPMC's records. Where appropriate, such notice may be given in advance and may be included as a part of any notice required to be mailed under the provisions of Section 6(f) hereof.

(f) Distributions, Etc. If at any time:

(i) BPMC shall make any distribution to the holders of its Common Stock, or

(ii) BPMC shall offer for subscription pro rata to the holders of its Common Stock additional shares of any class or any other rights, or

(iii) BPMC shall propose to take any action of the type described in Section 6(c) hereof,

BPMC shall give notice to the Holder of this Note, in the manner set forth in Section 6(e) hereof, which notice shall specify, in the case of action of the type specified in clauses (i) or (ii) of this Section 6(f), the record date with respect to any such action or, in the case of action of the type specified in clause

(iii) of this Section 6(f) the date on which such action shall take place, and shall also set forth (or shall be accompanied or followed as soon as reasonably practicable thereafter by a proxy statement or draft proxy statement setting forth) such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Conversion Price and the number, kind or class of shares or other securities or property which shall be deliverable upon conversion of the Note. In the case of any action of the type specified in this Section 6(f), such notice shall be given at least 20 days prior to the taking of such proposed action or, if earlier, to the extent reasonably practicable, any record date in respect thereof. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

(g) Treasury Dispositions. The sale or other disposition of any shares of Common Stock theretofore held in the treasury of BPMC shall be deemed an issuance thereof.

(h) Taxes, Etc. BPMC shall pay all documentary, stamp or other transactional taxes attributable to the issuance or delivery of Common Stock upon conversion of this Note.

(i) Reservation of Stock. BPMC shall at all times reserve and keep available, out of its treasury stock or authorized and unissued stock, or both, solely for the purpose of effecting the conversion of this Note, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of the Note.

(j) Registration Rights Agreement. All shares of Common Stock

received by Gardner upon exercise of the Holder's conversion rights shall be subject to that certain Registration Rights Agreement of even date herewith between Gardner and BPMC.

7. Security Interest. The indebtedness evidenced by this Note and the obligations created hereby are secured by a certain Stock Pledge Agreement of even date herewith between BPMC and Gardner (the "Pledge Agreement").

8. Events of Default. The following shall constitute "Events of Default" hereunder:

(a) BPMC shall have failed to make any payment due hereunder within ten (10) days after the due date therefor, and shall fail to make such payment for an additional thirty (30) days after written notice of such non-payment; or

(b) BPMC shall have breached any material obligation under Section 5 of this Note, and such breach shall not have been cured within sixty (60) days after receipt by BPMC of the Holder's written demand to cure such breach; or

(c) There shall have occurred any "Default," as defined in the Pledge Agreement, giving due recognition of any notice and cure provisions thereof.

Upon the occurrence of a Default under Section 5.6, 5.7, 5.8 or 5.9 of the Pledge Agreement, the entire unpaid principal amount of this Note together with accrued interest and charges shall automatically be due and payable and may be collected forthwith. Upon the occurrence of any other Event of Default hereunder, the Holder may by written notice to BPMC declare the entire unpaid principal amount of this Note together with accrued interest and charges thereon due and payable, and such amount may be collected forthwith. In addition, the Holder may exercise any and all rights under the Pledge Agreement.

BPMC shall give prompt written notice of the occurrence of an Event of Default to the Holder, at the address for making payments on this Note.

9. General. Time is of the essence of this Note. In the event this Note, or any part thereof, is collected by or

through an attorney-at-law, BPMC agrees to pay all costs of collection including, but not limited to, reasonable attorneys' fees.

Presentment for payment, demand, protest and notice of demand, protest and nonpayment, and all other notices are hereby waived by BPMC. No failure to accelerate the debt evidenced hereby by reason of default hereunder, acceptance of a past due installment, or indulgences granted from time to time shall be construed (i) as a novation of this Note or as a reinstatement of the indebtedness evidenced hereby or as a waiver of such right of acceleration or of the right of the Holder thereafter to insist upon strict compliance with the terms of this Note or (ii) to prevent the exercise of such right of acceleration

or any other right granted hereunder or by applicable law; and BPMC hereby expressly waives the benefit of any statute or rule of law or equity now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the foregoing. No extension of the time for the payment of this Note, or any installment due hereunder, made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change, or affect the original liability of BPMC under this Note, either in whole or in part unless the Holder agrees otherwise in writing. This

Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, or discharge is sought.

To the extent permitted by law, BPMC hereby waives and renounces for itself, its successors and assigns, all rights to the benefits of any moratorium, reinstatement, marshalling, forbearance, valuation, stay, extension, redemption, appraisement exemption, and homestead now provided, or which may hereafter be provided by the Constitution and laws of the United States of America and of any state thereof, both as to itself and in and to all of its property, real and personal, against the enforcement and collection of the obligations evidenced by this Note.

This Note shall be construed and enforced in accordance with the substantive laws of the State of New York, without regard to any contrary conflict of laws rules of the State of New York.

If for any reason whatsoever fulfillment of any provision of this Note, at the time performance of such provision shall be due, shall involve

transcending the limit of validity presently prescribed by any applicable usury statute or any other applicable law, with regard to obligations of like character and amount, then, ipso facto, the obligations to be fulfilled shall be reduced to the limit of such validity, so that in no event shall any exaction be possible under this Note or under any other instrument evidencing or securing the indebtedness evidenced hereby, that is in excess of the current limit of such validity, but such obligation shall be fulfilled to the limit of such validity.

As used herein, the terms "BPMC" and "Holder" shall be deemed to include their respective heirs, successors, legal representatives, and permitted assigns, whether by voluntary action of the parties or by operation of law. Absent the Holder's written agreement to the contrary, the assumption of BPMC's interest in this Note by any party shall not relieve BPMC of its obligations hereunder. Absent the written consent of BPMC, Gardner may not sell or transfer his interest in this Note except by gift to one or more immediate family members and/or one or more trusts for the benefit of Gardner and/or one or more immediate family members, and except pursuant to Gardner's will or applicable laws of descent and distribution. It is expressly understood and agreed that any transferee of the Holder's interest in this Note shall be subject to all claims and defenses that BPMC could personally assert against Gardner under this Note if Gardner were to remain as the Holder of this Note.

Prior to the exercise of conversion rights under this Note, the Holder shall have no rights as a stockholder as to shares into which this Note may be converted.

As used herein, the term "business day" means any day, excluding Saturdays and Sundays, when national banks in New York City are required to be open.

IN WITNESS WHEREOF, Byron Preiss Multimedia Company, Inc. has caused this Note to be signed by its duly authorized officer.

BYRON PREISS MULTIMEDIA COMPANY, INC.

By: /s/ Byron Preiss

Byron Preiss, President and
Chief Executive Officer

EXHIBIT A

NOTICE OF PREPAYMENT

Pursuant to Section 3 of that certain 7% Convertible Note due March 1, 2001 (the "Note"), Byron Preiss Multimedia Company, Inc. ("BPMC") hereby gives the holder notice that, on [insert date at least 15 days after date of notice] (the "Prepayment Date"), it will prepay [the entire principal amount of the Note] [$_____ principal amount under the Note or such lesser principal amount under the Note as shall be outstanding on the Prepayment Date] (the Prepayment Amount"), by paying the holder, in cash, the Prepayment Amount times the Prepayment Percentage specified in Section 3 of the Note. In the event of a partial prepayment of the Note [check the appropriate box]:

[ ] the partial prepayment or conversion shall not postpone the due date of or change the amount of any subsequent installment, (other than the final installment(s), under the Note and shall instead reduce the number of required installments and/or the amount of the final installment; or

[ ] the remaining payments under this Note shall be adjusted so that the remaining principal balance of the Note and accrued interest thereon shall be repaid in full through that number of equal monthly payments remaining under Section 2 of the Note.

BYRON PREISS MULTIMEDIA
COMPANY, INC.

BY:_____

EXHIBIT B

NOTICE OF CONVERSION

Pursuant to Section 5 of that certain 7% Convertible Note due March 1, 2001 (the "Note"), the undersigned holder of the Note (the "Holder") hereby gives Byron Preiss Multimedia Company, Inc. ("BPMC") notice that the Holder

irrevocably elects to convert into Common Stock of BPMC (or other securities, as provided in the Note) [ ] the entire Note or [ ] $_____ principal amount of the Note [specify amount not less than $100,000 that is any integral multiple of $1,000]. The Note is enclosed with this notice.

BY:_____

STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT (this "Agreement") is dated as of March 21, 1997, by and between Andrew K. Gardner ("Gardner") and Byron Preiss Multimedia Company, Inc. (the "Pledgor").

R E C I T A L S

Pursuant to a Stock Purchase Agreement of even date herewith (the "Purchase Agreement"), the Pledgor has purchased from Gardner 100% of the outstanding capital stock (the "Stock") of Dolphin Inc. (the "Company"). The consideration for the purchase of the Stock includes a 7% Convertible Note due March 1, 2001, of even date herewith from the Pledgor to Gardner (the "Note"). This Agreement is intended to induce Gardner to sell the Stock to the Pledgor and accept the Note as partial consideration for the Stock, by securing repayment of the Note and performance of Pledgor's obligations thereunder.

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

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

SECTION 1.1. Definitions. All capitalized terms which are not specifically defined in this Agreement shall have the meanings assigned to such terms in the Purchase Agreement or, if not defined in the Purchase Agreement, in the Note.

"Cash Surplus" means the dollar amount of the excess of the Company's cash balance as of a relevant date over $125,000.00.

"Collateral" has the meaning set forth in Section 2.1 hereof.

"Default" has the meaning set forth in Article V hereof.

"Enforcement Costs" means any and all funds, costs, expenses and charges of any nature whatsoever (including, without limitation, reasonable attorney's fees and expenses) advanced, paid or incurred by or on behalf of Gardner under or in connection with

the administration or enforcement of this Agreement, including, without limitation, (a) the compliance of the Pledgor with any covenant, warranty, representation or agreement of the Pledgor made in or pursuant to this Agreement or the Note, (b) the collection or enforcement of the Note and/or this Agreement, and (c) the exercise, preservation, maintenance, protection, operation, management, collection, sale or other disposition of, or realization upon, all or any part of the Collateral, under applicable law and otherwise.

"Event of Default" means an event which, with the giving of notice or the lapse of time, or both, could or would constitute a Default under the provisions of this Agreement.

"Financial Status Schedule" shall have the meaning set forth in Section 4.4 hereof.

"1995 Financial Statements" means the Company's audited financial statements for the year ended December 31, 1995, previously provided to the Pledgor.

"Person" means and includes an individual, a corporation, a partnership, a joint venture, a trust, an unincorporated association, a government or political subdivision or agency thereof, or any other entity.

"Presumed Value" shall have the meaning set forth in Section 6.4(b) hereof.

"Security Interests" means the security interests in the Collateral granted hereunder.

"Stockholder's Equity" means the Company's stockholder's equity, less intangible assets, computed in accordance with generally accepted accounting principles consistently applied with the 1995 Financial Statements.

"Stockholder's Equity Shortfall" means the dollar amount of the excess, if any, of $330,000.00 over the Stockholder's Equity as of the end of each fiscal quarter of the Company.

"Stockholder's Equity Surplus" means the dollar amount of the excess of Stockholder's Equity as of the end of each fiscal quarter of the Company over $400,000.00.

"UCC" means the Uniform Commercial Code of the State of

New York.

"Working Capital" means (i) the sum of the Company's cash and accounts receivable less (ii) the sum of the Company's accounts payable, accrued expenses, state income taxes payable and accrued

pension expense, computed in accordance with generally accepted accounting principles consistently applied with the 1995 Financial Statements.

"Working Capital Shortfall" means the dollar amount of the excess, if any, of $215,000.00 over the Working Capital as of the end of each fiscal quarter of the Company.

"Working Capital Surplus" means the dollar amount of the excess, if any, of the Working Capital as of the end of each fiscal quarter of the Company over $250,000.00.

SECTION 1.2. Rules of Construction. Unless otherwise defined herein and unless the context otherwise requires, all terms used herein which are defined by the UCC shall have the same meanings assigned to them by the UCC unless and to the extent varied by this Agreement. The words "hereof", "herein", and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section and subsection references are references to sections or subsections of this Agreement unless otherwise specified. As used herein, the singular number shall include the plural, the plural the singular, and the use of the masculine, feminine or neuter gender shall include any other gender, as the context may require.

ARTICLE II

THE COLLATERAL

SECTION 2.1. The Pledge. In order to secure the full and punctual payment of the Note in accordance with the terms thereof, the Pledgor hereby transfers, pledges, assigns, sets over, delivers and grants to Gardner, subject to Section 2.5(a)(iv) hereof, a continuing lien and security interest in and to all of the following collateral, both now owned and existing and hereafter created, acquired and arising (all being collectively referred to as the "Collateral") and all right, title and interest of the Pledgor in and to the Collateral:

(a) Stock. (i) The Stock and any additional securities of the Company issued by the Company in the future (collectively, the "Pledged Stock"), (ii) any certificates representing or evidencing the Pledged Stock, (iii) subject to Section 2.5 below with respect to Events of Default that have occurred and are continuing, all dividends, cash, income, profits, instruments, securities and other property from time to time received, receivable or otherwise distributed in respect of, in exchange for or upon conversion of the Pledged Stock, and (iv) subject to the provisions of Section 2.5 hereof with respect to

Events of Default that have occurred and are continuing, any and all voting and other rights, powers and privileges accruing or incidental to an owner of the Pledged Stock and the other property referred to in subclauses (i) through (iii); and

(b) Proceeds. All cash and non-cash proceeds and products of the portion of the Collateral described in clause (a) above.

SECTION 2.2. Security Interests Only. The Security Interests are granted as security only and shall not subject Gardner to, or transfer or in any way affect or modify, any obligation or liability of the Pledgor with respect to any of the Collateral or any transaction in connection therewith.

SECTION 2.3. Delivery, etc. The Pledgor shall deliver or promptly cause to be delivered to Gardner (a) all certificates representing or evidencing the Pledged Stock, which certificates shall be accompanied by undated and irrevocable stock powers duly executed in blank by the Pledgor, and (b) all other property, instruments and papers comprising, representing or evidencing the Collateral or any part thereof, accompanied by proper instruments of assignment or endorsement duly executed by the Pledgor.

SECTION 2.4. Record Owner of Collateral. Gardner shall have the right in his sole and absolute discretion to hold any stock certificates, notes, instruments or securities now or hereafter included in the Collateral in the name of the Pledgor, provided that nothing herein shall preclude Gardner from holding such Collateral in his own name upon the occurrence and continuation of any Event of Default. The Pledgor will promptly give to Gardner copies of any notices or other communications received by it with respect to Collateral registered in the name of the Pledgor.

SECTION 2.5. Voting Rights; Dividends and Interest; etc.

(a) Unless and until an Event of Default shall have occurred and be continuing:

(i) The Pledgor shall be entitled to exercise any and all voting and other rights, powers and privileges accruing to an owner of the Pledged Stock or any part thereof for any purpose consistent with the terms of this Agreement and the Note.

(ii) Gardner shall execute and deliver to the Pledgor, or cause to be executed and delivered to the Pledgor, all such proxies, powers of attorney, and other instruments as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the voting and other rights, powers and

privileges which it is entitled to exercise pursuant to subparagraph (i) above.

(iii) The Pledgor shall be entitled to receive and retain any and all cash dividends paid on the Pledged Stock to the extent and only to the extent that such cash dividends are permitted by, and otherwise paid in accordance with, the terms and conditions of this Agreement, the Note and applicable laws. All noncash dividends and dividends paid or payable in cash or otherwise in connection with a partial or total liquidation or dissolution, instruments, securities, other distributions in property, return of capital, capital surplus or paid-in surplus, other distributions (other than pursuant to the first sentence of this clause), made on or in respect of Pledged Stock, whether paid or payable in cash or otherwise, whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of the issuer of any Pledged Stock or received in exchange for Pledged Stock or any part thereof, or in redemption thereof, as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be and become part of the Collateral, and, if received by the Pledgor, shall not be commingled by the Pledgor with any of its other funds or property but shall be held separate and apart therefrom in trust for the benefit of Gardner and shall be forthwith delivered to Gardner in the same form as so received (with any necessary endorsement, which the Pledgor hereby agrees to make).

(iv) Notwithstanding any language contained herein to the contrary, the term "Collateral" shall not include any money and/or property (or cash or non-cash proceeds thereof) received by the Pledgor in conformity with Section 2.5(a) hereof at a time when no Event of Default shall have occurred and

be continuing.

(v) Gardner shall not sell, transfer or encumber the Collateral, except that Gardner may assign his interest in the Collateral in connection with any permitted assignment of the Note.

(b) Upon the occurrence and during the continuance of an Event of Default, all rights of the Pledgor to dividends and/or other payments which the Pledgor is authorized to receive pursuant to paragraph (a)(iii) of this Section 2.5 shall cease, and all such rights shall thereupon become vested in Gardner, who shall have the sole and exclusive right and authority to receive and retain such payments. All payments which are received by the Pledgor contrary to the provisions of this Section 2.5 shall be received in trust for the benefit of Gardner, shall be segregated from other property or funds of the Pledgor and shall be forthwith delivered to Gardner in the same form as so received (with any

necessary endorsement, which the Pledgor hereby agrees to make). Any and all money and other property paid over to or received by Gardner pursuant to the provisions of this subparagraph (b) shall be applied to the amounts due under the Note.

(c) Upon the occurrence and during the continuance of an Event of Default, all rights of the Pledgor to exercise the voting and other rights, powers and privileges which it is entitled to exercise pursuant to paragraph (a)(i) of this Section 2.5 shall cease, and all such rights, powers and privileges shall thereupon become vested in Gardner, who shall have the sole and exclusive right and authority to exercise such voting and other rights, powers and privileges.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Pledgor represents and warrants to Gardner that the following statements are accurate, assuming the accuracy of Gardner's representations to the Pledgor in the Purchase Agreement:

SECTION 3.1. Title and Authority. The Pledgor is the owner of the Collateral currently in existence and has good and marketable title to the Collateral free and clear of any liens other than the lien created by this

Agreement. The Pledgor has full power and authority to grant the Security Interests to Gardner in the Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement without the consent or approval of any Person other than any consent or approval which has been obtained.

SECTION 3.2. Pledged Stock. The Pledgor has not created any liens (other than the liens created hereby), options or other rights in the Collateral and is not and will not become a party to and is not and will not become bound by any agreement (other than this Agreement) which restricts in any manner the rights of any present or future holder of any of the Pledged Stock.

SECTION 3.3. Validity, Perfection and Priority of Security Interests. By virtue of the execution and delivery of this Agreement and upon delivery to Gardner of the Collateral (or certificates, instruments or other papers representing or evidencing the Collateral) in accordance with the provisions of this Agreement, Gardner will have a valid and perfected lien on the Collateral subject to no prior or other liens created by virtue of the Pledgor's actions or omissions and except for the Financing Statements on Form UCC-1 executed by the Pledgor and to be filed with the Secretary of State of the State of New Jersey, the Secretary of State of the State of New York and the County Clerk's

Office of New York County, no registration, recordation or filing with any governmental body, agency or official is required in connection with the execution and delivery of this Agreement or necessary for the validity or enforceability of this Agreement or for the perfection of the Security Interests.

SECTION 3.4. Survival. All representations and warranties contained in or made under or in connection with this Agreement: (a) shall survive the execution, delivery and performance of this Agreement, and (b) shall be accurate at all times during which any amount remains outstanding under the Note with the same effect as if such representations and warranties had been made at such times.

ARTICLE IV

COVENANTS OF PLEDGOR

The Pledgor covenants and agrees with Gardner as follows:

SECTION 4.1. Title, Liens and Taxes. The Pledgor shall, at its cost and expense, take any and all actions necessary to defend the Security Interests of Gardner in the Collateral and the priority (or intended priority) thereof against any adverse lien of any nature whatsoever, except for liens arising from the actions or omissions of Gardner and/or the Company prior to the date hereof. Except to the extent contested in good faith, the Pledgor will pay all taxes and assessments levied or placed on the Collateral prior to the date when any interest or penalty would accrue for the nonpayment thereof.

SECTION 4.2. Further Assurances. The Pledgor shall, from time to time, at its expense, execute, deliver, acknowledge and cause to be duly filed, recorded or registered any statement, assignment, endorsement, instrument, paper, agreement or other document and take any other action that from time to time may be necessary or desirable, or that Gardner may reasonably request, in order to create, preserve, continue, perfect, confirm or validate the Security Interests or to enable Gardner to obtain the full benefits of this Agreement or to exercise and enforce any of his rights, powers and remedies hereunder. The Pledgor shall pay all costs of, and incidental to, the filing, recording or registration of any such document as well as any recordation, transfer or other tax required to be paid in connection with any such filing, recordation or registration. The Pledgor agrees that a carbon, photographic, photostatic or other reproduction of this Agreement or of a financing statement signed by the Pledgor in connection with this Agreement shall be sufficient as a financing statement.

SECTION 4.3. Care and Protection of Collateral. The Pledgor shall promptly notify Gardner of any event causing deterioration, loss or depreciation in value of any substantial portion of the Collateral and the amount of such loss or depreciation.

SECTION 4.4. Maintenance of Cash, Working Capital and Stockholder's Equity. The Pledgor will cause the Company to submit to Gardner and the Pledgor, within forty-five (45) days after March 31, June 30 and September 30 of each year and within sixty (60) days after December 31 of each year, a schedule showing the Company's cash, Working Capital and Stockholder's Equity as of the end of such fiscal quarter (the "Financial Status Schedule"). Gardner, the Pledgor and the Company shall fully cooperate with each other in the preparation and submission of the Financial Status Schedule and shall share any and all information in their possession or control bearing upon the accuracy of the Financial Status Schedule. The Pledgor shall not allow the Company to declare or pay during any calendar quarter dividends and/or other distributions that exceed

on a cumulative basis the Cash Surplus, the Working Capital Surplus and/or the Stockholder's Equity Surplus as of the end of the prior calendar quarter. Within twenty (20) days after the receipt of a Financial Status Schedule showing a Working Capital Shortfall and/or Stockholder's Equity Shortfall, Pledgor will make a cash contribution or take such other actions as shall be required to eliminate the Working Capital Shortfall, if any, and the Stockholder's Equity Shortfall, if any.

SECTION 4.5. Liquidation, Dissolution, Etc. Without Gardner's prior written consent, during the term of this Agreement the Pledgor will not make any non-cash contribution to the Company or allow the Company to (a) liquidate, dissolve, merge, consolidate, sell substantially all of its assets or engage in any material transaction outside the ordinary course of business consistent with past practice; (b) borrow money from any Person other than BPMC or loan money to any Person other than BPMC; (c) borrow money from BPMC while BPMC is indebted to the Company for borrowed money or loan money to BPMC while the Company is indebted to BPMC for borrowed money; or (d) issue, sell or authorize for issuance or sale, shares of any class, options, warrants, rights or convertible securities, or enter into any agreements or commitments of any character obligating it to issue or sell any such securities.

SECTION 4.6. Sale of Collateral. Without the prior written consent of Gardner, the Pledgor will not sell, lease, assign, transfer, dispose of, pledge or grant a lien on the Collateral other than the lien created by this Agreement.

ARTICLE V

DEFAULT

The occurrence of any one or more of the following events shall constitute a default under the provisions of this Agreement, and the term "Default" shall mean, whenever it is used in this Agreement, any one or more of the following events:

SECTION 5.1. Payment of Obligations; Default under Note. If there occurs any "Event of Default" as defined in the Note, giving due consideration to notice and cure provisions thereof;

SECTION 5.2. Breach of This Agreement. If the Pledgor fails to perform, observe or comply with Section 4.4 of this Agreement and fails to cure

such breach within thirty (30) days after written notice thereof; the Pledgor fails to perform, observe or comply with Section 4.6 of this Agreement; the Pledgor grants a lien on the Collateral in violation of Section 4.6 of this Agreement and fails to remove such lien within thirty (30) days after written notice thereof; or the Pledgor fails to perform, observe or comply with any other material provision of this Agreement and cure such breach within sixty (60) days after written notice thereof;

SECTION 5.3. Representations and Warranties. If (a) any representation and warranty contained in this Agreement, the Purchase Agreement or any officer's certificate given by or on behalf of the Pledgor or furnished in connection with this Agreement or the Purchase Agreement was false or incorrect in any material respect on the date as of which made; and (b) in the case of any representation and warranty contained in the Purchase Agreement or an officer's certificate, the Pledgor acknowledges in writing or an arbitrator determines in a final, binding and non-appealable ruling that (i) such false or incorrect representation resulted from Pledgor's intentional act or willful omission, and (ii) such material representation, if it had been made with truth, accuracy and completeness, would have disclosed that the Pledgor's tangible shareholders' equity was overstated by an amount in excess of $1,000,000, computed in accordance with generally accepted accounting principles;

SECTION 5.4. Liquidation, Termination, Dissolution. If the Pledgor shall liquidate, dissolve or terminate its existence without Gardner's prior written consent;

SECTION 5.5. Default under other Indebtedness. If the Pledgor shall (a) default in any payment of the principal of, or interest on, any indebtedness for borrowed money (other than the Note) in an original principal amount of $250,000.00 or more beyond the period of grace, if any, provided in the instrument or

agreement (as amended from time to time) under which such indebtedness was created or (b) default in the observance or performance of any other agreement or condition relating to any such indebtedness for borrowed money or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur the effect of which default or other event (whether described in subsection (a) or (b) hereof) is to cause or to permit the holder or holders of such indebtedness or beneficiary or beneficiaries of such indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice, if required, such indebtedness to become due prior to its stated maturity;

SECTION 5.6. Inability to Pay Debts, etc. If the Pledgor shall admit in writing its inability to pay its debts as they mature or shall make any assignment for the benefit of any of its creditors;

SECTION 5.7. Bankruptcy. If proceedings in bankruptcy, or for reorganization of the Pledgor, or for the readjustment of any of its debts, under the Bankruptcy Code, as amended, or any part thereof, or under any other applicable laws, whether state or federal, for the relief of debtors, now or hereafter existing, shall be commenced against or by the Pledgor and, except with respect to any such proceedings instituted by the Pledgor, shall not be discharged within sixty (60) days of their commencement;

SECTION 5.8. Receiver, etc. If a receiver or trustee shall be appointed for the Pledgor or for any substantial part of its assets and, except with respect to any such appointments requested or instituted by the Pledgor, such receiver or trustee shall not be discharged within sixty (60) days of his or her appointment;

SECTION 5.9. Dissolution Proceedings. If any proceedings shall be instituted for the dissolution or the full or partial liquidation of the Pledgor and, except with respect to any such proceedings instituted by the Pledgor, such proceedings shall not be discharged within sixty (60) days of their commencement.

ARTICLE VI

RIGHTS AND REMEDIES

SECTION 6.1. Rights and Remedies of Gardner.

(a) Subject to the limitations set forth in Section 6.4 hereof, upon and after the occurrence of a Default, Gardner may sell the Collateral, or any part thereof, for cash and/or deferred payments (for example, under a note), as Gardner shall deem

appropriate, and at such price or prices as may be reasonably satisfactory to Gardner. Gardner shall be authorized in connection with any such sale (if he deems it advisable to do so) to require potential purchasers to execute confidentiality agreements reasonably satisfactory to Gardner and/or to restrict the prospective bidders or purchasers of any of the Collateral to Persons who

will represent and agree that they are accredited investors purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale Gardner shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of the Pledgor, and the Pledgor hereby waives all rights of redemption, stay, valuation and appraisal which the Pledgor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

(b) Gardner shall give the Pledgor sixty (60) days prior written notice (which the Pledgor agrees is reasonable notice within the meaning of Section 9-504(3) of the UCC) of Gardner's intention to make any sale or other disposition of Collateral and shall afford to the Pledgor's investment bankers an opportunity to seek purchasers for the Collateral during such period, subject to any confidentiality agreements and representation letters reasonably required by Gardner and authorized by Section 6.1(a) hereof. Such notice shall state the date after which such sale or other disposition may be made. Gardner shall not be required to sell all or any part of the Collateral on credit but may elect to do so in his absolute discretion. In case any sale of all or any part of the Collateral is made on credit, the Collateral so sold may be retained by Gardner until the sale price is paid in full by the purchaser or purchasers thereof, but Gardner shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. After the date specified in the notice given under this Section 6.1(b), and subject to Section 6.4 hereof, Gardner may bid for or purchase, free from any right of redemption, stay or appraisal on the part of the Pledgor (all of such rights being also hereby waived and released by the Pledgor), the Collateral or any part thereof offered for sale, provided that Gardner bids for or purchases such Collateral for an amount not less than the amount offered by the highest bona fide competing purchaser willing to purchase the Collateral for cash, and Gardner may make payment on account thereof by using any claim then due and payable to Gardner from the Pledgor (including, without limitation, amounts outstanding under the Note) as a credit against the purchase price. Gardner may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to the Pledgor therefor, provided that the Pledgor shall remain liable for

all amounts remaining due under the Note and/or this Agreement after receiving an appropriate credit for the proceeds of sale of the Collateral. For purposes hereof, a written agreement to purchase the Collateral or any portion thereof

shall be treated as a sale thereof and Gardner shall be free to carry out such sale pursuant to such agreement, and the Pledgor shall not be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after Gardner shall have entered into such an agreement all Events of Default or Defaults may have been remedied and the Note paid in full.

The Pledgor acknowledges that compliance with applicable federal and state securities laws (including, without limitation, the Securities Act of 1933, as amended, Blue Sky or other state securities laws or similar laws now or hereafter existing analogous in purpose or effect) might very strictly limit or restrict the course of conduct of Gardner if Gardner were to attempt to sell or otherwise dispose of all or any part of the Collateral which is comprised of securities, and might also limit or restrict the extent to which or the manner in which any subsequent transferee of any such securities could sell or dispose of the same.

(c) As an alternative to or in addition to exercising the power of sale herein conferred upon it, Gardner may exercise any right, not inconsistent with the terms of this Agreement, afforded by the UCC or applicable law.

(d) In conjunction with any sale of all or any part of the Collateral which is comprised of securities, the Pledgor (i) will, at any time and from time to time, cooperate and use its best efforts to cause the Company to cooperate in all respects with Gardner, including any cooperation required to assist Gardner and the Company in complying with any applicable securities laws, (ii) agrees to hold harmless, indemnify and defend Gardner and any underwriter from and against all loss, liability, expenses, costs, fees, disbursements (including, without limitation, the reasonable fees and disbursements of Gardner's legal counsel) and claims which may be incurred insofar as such loss, liability, expense or claim arises out of or is based upon any alleged untrue statement of a material fact contained in any prospectus (or any amendment or supplement thereto) or in any notification or offering circular, or arises out of or is based upon any alleged omission to state a material fact required to be stated therein or necessary to make the statements in any thereof not misleading but except to the extent that any such loss, liability, expense or claim may have been caused by any untrue statement or omission based upon information furnished in writing to the Pledgor or the issuer of such securities by Gardner or any underwriter expressly for use therein, (iii) will bear all costs and expenses of carrying out its obligations under this subsection which shall be a part of the Enforcement Costs secured hereby, and (iv) acknowledges that there

is no adequate remedy at law for the failure by the Pledgor to comply with the provisions of subsection 6.1(d)(i) and that such failure would not be adequately compensable in damages, and therefore agrees that its agreements contained in subsection 6.1(d)(i) may be specifically enforced.

SECTION 6.2. Application. The proceeds of collection, sale or other disposition of all or any part of the Collateral coming into Gardner's possession may be applied by Gardner to the amounts outstanding under the Note and to the Enforcement Costs, whether matured or unmatured, in such order and manner as Gardner may determine in his sole discretion.

SECTION 6.3. No Waiver, etc. No failure or delay by Gardner to insist upon the strict performance of any term, condition, covenant or agreement of this Agreement or the Note, or to exercise any right, power or remedy consequent upon a breach thereof, shall constitute a waiver of any such term, condition, covenant or agreement or of any such breach, or preclude Gardner from exercising any such right, power or remedy at any later time or times. By accepting payment after the due date of any amount payable under this Agreement or the Note, Gardner shall not be deemed to waive the right either to require prompt payment when due of all other amounts payable under this Agreement or the Note, or to declare a Default for failure to effect such prompt payment of any such other amount. The payment by the Pledgor or any other Person and the acceptance by Gardner of any other amount due and payable under the provisions of this Agreement or the Note during which a Default exists shall not in any way or manner be construed as a waiver of such Default by Gardner or preclude Gardner from exercising any right of power or remedy consequent upon such Default.

SECTION 6.4. Special Limitations. Notwithstanding any provision of this Agreement or the UCC to the contrary:

(a) Without complying with Section 6.1 and, if applicable, Section 6.4(c) hereof, Gardner shall have no right (or obligation) to retain the Collateral for his own account in satisfaction of the amounts due Gardner under the Note and this Agreement unless the Pledgor and Gardner expressly agree in writing that Gardner shall retain the Collateral for his own account in satisfaction of the amounts due Gardner under the Note and this Agreement.

(b) If Gardner is the sole bidder for the Collateral, Gardner shall have no right to pursue a deficiency judgment against the Pledgor if (i) the marketing period for the sale of the Collateral is less than one hundred twenty (120) days or (ii) Gardner fails to obtain from a nationally recognized investment banking firm and/or accounting firm (a "Nationally

Recognized Appraiser") an estimate (or estimated range) of the value of the Collateral and to bid not less than seventy-five percent (75%) of such amount

(or seventy-five percent (75%) of the mid-point in such range) (the "Presumed Value"), it being expressly understood and agreed that the Presumed Value shall be irrebuttably presumed to equal the fair market value of the Collateral in any deficiency judgment proceeding.

(c) In the event that no Person (other than Gardner) makes a bona fide offer to acquire the Company within the sixty (60) day notice period provided by Section 6.1(b) hereof and Gardner desires to purchase the Collateral for his own account:

(i) Gardner shall give written notice to the Pledgor of such circumstances and the Pledgor shall thereafter have a period of ten (10) days (or such longer period as Gardner shall permit in his absolute discretion) to give written notice to Gardner in the form of Exhibit A hereto (the "Surplus Notice"). If the Pledgor does not deliver the Surplus Notice, this Section 6.4(c) shall have no further force and effect whatsoever and Gardner shall have the choice either to continue his attempts to dispose of the Collateral or to bid for and acquire the Collateral, in which event the Pledgor shall have any and all rights to recovery of any surplus as are afforded by the UCC and shall have all other rights afforded by applicable law. In any event, Section 6.4(b) shall remain applicable.

(ii) Gardner shall retain a Nationally Recognized Appraiser of his choice to provide an estimate (or estimated range) of the value of the Collateral.

(iii) In the event the Presumed Value exceeds the amount due Gardner under the Note and this Agreement (the "Default Amount") by more than $750,000, Gardner shall have the option to purchase the Collateral for his own account by discharging the Note and delivering to the Pledgor Gardner's unsecured promissory note in the form of Exhibit B hereto (the "Default Note") in an original principal amount equal to the Presumed Value, minus the Default Amount, minus $750,000 (the "Default Note Amount").

(iv) In the event the Presumed Value exceeds the Default Amount but the amount of such excess is $750,000 or less: (A) Gardner shall purchase the Collateral for his own account; (B) Gardner shall discharge the Note but Gardner shall not be required to deliver to the Pledgor any Default Note or to make any other payment to the Pledgor; and (C) Gardner shall not be entitled to any deficiency judgment on account of the Note.

(v) In the event the Default Amount exceeds the Presumed Value, Section 6.4(b) of this Agreement shall be applicable.

(vi) The Pledgor's delivery of the Surplus Notice shall constitute the Pledgor's irrevocable agreement that, (A) if a Nationally Recognized Appraiser determines a Presumed Value that is not more than $750,000 in excess of the Default Amount or (B) if (1) the Presumed Value exceeds the Default Amount by more than $750,000, (2) Gardner exercises his option to purchase the Collateral for his own account, and (3) Gardner delivers the Default Note as set forth herein, the Pledgor shall be deemed to have expressly waived and released any and all rights, demands, claims, damages, costs and liabilities it could otherwise assert against Gardner under this Agreement, the UCC and/or any other law or agreement on account of, relating to or in connection with Gardner's exercise of his rights hereunder and thereunder.

SECTION 6.5. Deficiency Judgment. Nothing set forth herein shall preclude Gardner from proceeding under the Note instead of under this Agreement. If Gardner exercises his rights under this Agreement and receives proceeds of sale of the Collateral that are insufficient to cover in full all Enforcement Costs and all other amounts due under the Note and this Agreement, Gardner shall have the right to a deficiency judgment against the Pledgor.

SECTION 6.6. Acknowledgement. The Pledgor acknowledges and agrees that any sale of the Collateral effected in conformity with the procedures outlined herein shall be "commercially reasonable" within the meaning of the UCC.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1. Course of Dealing; Amendment. No course of dealing between Gardner and the Pledgor shall be effective to amend, modify or change any provision of this Agreement or the Note. Gardner shall have the right at all times to enforce the provisions of this Agreement and the Note in strict accordance with the provisions hereof and thereof, notwithstanding any conduct or custom on the part of Gardner in refraining from so doing at any time or times. The failure of Gardner at any time or times to enforce his rights under such provisions, strictly in accordance with the same, shall not be construed as having created a custom in any way or manner contrary to specific provisions of this Agreement or the Note or as having in any way or manner modified or waived the same. This Agreement may not be amended, modified, or changed

in any respect except by an agreement, in writing, signed by Gardner and the Pledgor.

SECTION 7.2. Waiver of Default. Gardner may, at any time and from time to time, execute and deliver to the Pledgor a written instrument waiving, on such terms and conditions as Gardner may specify in such written instrument,

any of the requirements of this Agreement or any Event of Default or Default and its consequences, provided that any such waiver shall be for such period and subject to such conditions as shall be specified in any such instrument. In the case of any such waiver, the Pledgor and Gardner shall be restored to their former positions prior to such Event of Default or Default and shall have the same rights as they had hereunder. No such waiver shall extend to any subsequent or other Event of Default or Default, or impair any right consequent thereto and shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 7.3. Notices. All notices, requests and demands to or upon the parties to this Agreement shall be deemed to have been given or made when made in accordance with the requirements set forth in the Purchase Agreement.

SECTION 7.4. Performance for the Pledgor. The Pledgor hereby appoints Gardner the attorney-in-fact of the Pledgor for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument which Gardner may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, Gardner shall have the right, upon the occurrence and during the continuance of an Event of Default, with full power of substitution either in Gardner's name or in the name of the Pledgor, (a) to ask for, demand, sue for, collect, receive, receipt and give acquittance for any and all moneys due or to become due and under and by virtue of any Collateral, (b) to endorse checks, drafts, orders and other instruments for the payment of money payable to the Pledgor representing any interest, dividend or other distribution payable in respect of the Collateral or any part thereof or on account thereof, (c) to give full discharge for all or any part of the Collateral, (d) to settle, compromise, prosecute or defend any action, claim or proceeding with respect to all or any part of the Collateral, (e) to sell, assign, endorse, pledge, transfer and make any agreement respecting all or any part of the Collateral, or (f) otherwise deal with all or any part of the Collateral as though Gardner were the absolute owner thereof; provided, however, that nothing herein contained shall be construed as requiring or obligating Gardner to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by Gardner, or to present or file any claim or notice, or to take any action with

respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby.

SECTION 7.5. [Intentionally omitted.]

SECTION 7.6. Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of Gardner in order to carry out the intentions of the parties hereto as nearly as may be possible, (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction, and (c) the parties hereto shall endeavor in good faith negotiations to replace the invalid or unenforceable provisions with valid and enforceable provisions, the economic effect of which comes as close as possible to that of the invalid or unenforceable provisions.

SECTION 7.7. Survival. All representations, warranties and covenants contained herein shall survive the execution and delivery of this Agreement and the Note.

SECTION 7.8. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Pledgor and Gardner and their respective personal representatives, successors and assigns, except that the Pledgor shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Gardner.

SECTION 7.9. Continuing Agreement. This Agreement and the Security Interests shall terminate when the Note has been indefeasibly paid in full, at which time Gardner will reassign and deliver to the Pledgor, against receipt, such of the Collateral as is still held by Gardner (if any) and not sold or otherwise applied by Gardner pursuant to the terms hereof. Any such reassignment shall be without recourse to or warranty by Gardner at the expense of the Pledgor.

SECTION 7.10. Applicable Law. This Agreement and the rights and obligations of the parties hereunder shall be construed and interpreted in accordance with the substantive laws of the State of New York, both in interpretation and performance, without regard to any conflicting conflict of laws rules of the State of New York.

SECTION 7.11. Duplicate Originals and Counterparts. This Agreement

may be executed in any number of duplicate originals or counterparts, each of such duplicate originals or counterparts shall be deemed to be an original and all taken together shall constitute but one and the same instrument.

SECTION 7.12. Headings. Article and Section headings in this Agreement are included herein for convenience of reference only, shall not constitute a part of this Agreement for any other purpose and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

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

BYRON PREISS MULTIMEDIA
COMPANY, INC.

BY:/S/ BYRON PREISS

BYRON PREISS
CHIEF EXECUTIVE OFFICER

/S/ ANDREW K. GARDNER

ANDREW K. GARDNER

Intending to be legally bound hereby, Dolphin Inc. agrees not to take any action that would cause the Pledgor to breach its obligations under Section 4.4 or 4.5 of this Agreement.

DOLPHIN INC.

BY:/S/ ANDREW K. GARDNER

ANDREW K. GARDNER, PRESIDENT

FORM OF SURPLUS NOTICE

This notice is a "Surplus Notice" given pursuant to Section 6.4(c) of the Pledge Agreement (the "Pledge Agreement") dated March , 1997 between Andrew K. Gardner ("Gardner") and Byron Preiss Multimedia Company, Inc. (the "Pledgor"). All capitalized terms used in this notice and not otherwise defined are defined in the Pledge Agreement. Gardner has provided the Pledgor with written notice that no Person (other than Gardner) has made a bona fide offer to acquire the Company within the sixty (60) day notice period provided by Section 6.1(b) of the Pledge Agreement and Gardner desires to purchase the Collateral for his own account. In accordance with and as provided in the Pledge Agreement:

1. If you have not already done so, you are hereby instructed to retain a Nationally Recognized Appraiser of your choice to provide an estimate (or estimated range) of the value of the Collateral.

2. In the event the Presumed Value exceeds the Default Amount by more than $750,000, Gardner shall have the option to purchase the Collateral for Gardner's own account by discharging the Note and delivering to the Pledgor the Default Note in the Default Note Amount.

3. In the event the Presumed Value exceeds the Default Amount but the amount of such excess is $750,000 or less: (a) Gardner shall purchase the Collateral for his own account; (b) Gardner shall not be required to deliver to the Pledgor any Default

EXHIBIT A

Note or to make any other payment to the Pledgor; and (c) Gardner shall not be entitled to any deficiency judgment on account of the Note.

4. In the event the Default Amount exceeds the Presumed Value, Section 6.4(b) of the Pledge Agreement shall be applicable.

5. The Pledgor irrevocably agrees that, (a) if a Nationally Recognized Appraiser determines a Presumed Value that is not more than $750,000 in excess of the Default Amount or (b) if (i) the Presumed Value exceeds the Default Amount by more than $750,000, (ii) Gardner exercises his option to purchase the Collateral for his own account, and (iii) Gardner delivers the Default Note as set forth herein and in the Pledge Agreement, the Pledgor shall be deemed to have expressly waived and released any and all rights, demands, claims, damages, costs and liabilities it could otherwise assert against Gardner under the Pledge Agreement, the UCC and/or any other law or agreement on account of, relating to or in connection with Gardner's exercise of his rights thereunder.

IN WITNESS WHEREOF, this notice has been executed by the undersigned officers of BPMC, intending that BPMC shall be legally bound hereby, this _____ day of _____, _____.

BYRON PREISS MULTIMEDIA COMPANY, INC.

By:_____

Chief Executive Officer

By:_____

Chief Financial Officer

FORM OF DEFAULT NOTE

ANDREW K. GARDNER ("Gardner"), for value received, hereby promises to pay to BYRON PREISS MULTIMEDIA COMPANY, INC., a New York corporation ("BPMC") the principal sum of _____ _____

($_____), together with interest thereon. This Note is that certain Default Note referenced in Section 6.4(c) of that certain Pledge Agreement dated March 21, 1997 between Gardner and BPMC.

1. Interest. Interest shall accrue on the unpaid principal balance of this Note at an annual rate of 6%. Interest shall not be compounded. However, interest that accrues during the period ending on the last day of the calendar month (the "Trigger Date") ending at least nine (9) months after the date of this Note shall be added to the principal balance at the Trigger Date. For purposes of computing interest and for the convenience of the parties, it shall be irrebbutably presumed that payments are made on the first day of each month (although no presumption shall be made as to the fact or amount of payments).

2. Payments. (a) All payments under the Note shall be made to BPMC at the address for BPMC set forth in the Pledge Agreement or to such other address as BPMC shall designate by written notice to Gardner. The outstanding principal balance of this Note on the Trigger Date, together with interest accruing thereon, shall be repaid in fifty-one (51) equal monthly installments of $_____, commencing on the first business day after the Trigger Date and continuing on the first business day of each succeeding month.

(b) All unpaid principal, interest and/or other charges shall be due and payable in full on the "Maturity Date." As used herein, the term "Maturity Date" means the date the last scheduled payment is due hereunder.

(c) All payments under this Note shall be applied first to interest and then to principal.

6. Prepayment. This Note may be prepaid in whole or in part at any time without premium or penalty. In the event of a partial prepayment of this Note, the remaining payments under this Note shall be adjusted so that the remaining principal balance of this Note and accrued interest thereon shall be repaid in full through that number of equal monthly payments remaining under Section 2 of this Note.

EXHIBIT B

7. Miscellaneous. Presentment for payment, demand, protest and notice of demand, protest and nonpayment, and all other notices are hereby

waived by Gardner. No failure to accelerate the debt evidenced hereby by reason of default hereunder, acceptance of a past due installment, or indulgences granted from time to time shall be construed (i) as a novation of this Note or as a reinstatement of the indebtedness evidenced hereby or as a waiver of such right of acceleration or of the right of BPMC thereafter to insist upon strict

compliance with the terms of this Note or (ii) to prevent the exercise of such right of acceleration or any other right granted hereunder or by applicable law; and Gardner hereby expressly waives the benefit of any statute or rule of law or equity now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the foregoing. No extension of the time for the payment of this Note, or any installment due hereunder, made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change, or affect the original liability of Gardner under this Note, either in whole or in part unless BPMC agrees otherwise in writing. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, or discharge is sought.

This Note shall be construed and enforced in accordance with the substantive laws of the State of New Jersey, without regard to any contrary conflict of laws rules of the State of New Jersey.

If for any reason whatsoever fulfillment of any provision of this Note, at the time performance of such provision shall be due, shall involve transcending the limit of validity presently prescribed by any applicable usury statute or any other applicable law, with regard to obligations of like character and amount, then, ipso facto, the obligations to be fulfilled shall be reduced to the limit of such validity, so that in no event shall any exaction be possible under this Note or under any other instrument evidencing or securing the indebtedness evidenced hereby, that is in excess of the current limit of such validity, but such obligation shall be fulfilled to the limit of such validity.

Neither this Note or any interest therein may be transferred, assigned or hypothecated by BPMC without Gardner's prior written consent.

As used herein, the term "business day" means any day, excluding Saturdays and Sundays, when national banks in New York City are required to be open.

IN WITNESS WHEREOF, Andrew K. Gardner has executed and delivered this Note as of the date first above written.

Andrew K. Gardner

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), dated as of March 21, 1997, is entered into between DOLPHIN INC., a New Jersey corporation (the "Company"), and ANDREW K. GARDNER (the "Employee").

W I T N E S S E T H :

WHEREAS, Byron Preiss Multimedia Company, Inc. ("BPMC") and the Employee have simultaneously entered into a Stock Purchase Agreement of even date herewith (the "Purchase Agreement") pursuant to the terms of which BPMC is acquiring the Company from the Employee; and

WHEREAS, BPMC is paying a portion of the purchase price of the Company through a certain Convertible Promissory Note of even date herewith (the "Convertible Note") and is securing its obligations to the Employee under the Convertible Note through a Pledge Agreement of even date hereof between BPMC and the Employee; and

WHEREAS, the Company desires to employ the Employee on a full-time basis and to make the Employee's services available to BPMC and other affiliates from time to time and to be assured of his services on the terms and conditions hereinafter set forth; and

WHEREAS, the Employee desires to accept such employment on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, the parties hereby agree as follows:

1. EMPLOYMENT. The Company hereby employs the Employee as the President and Chief Executive Officer of the Company, and the Employee accepts such employment, upon the terms and subject to the conditions set forth in this Agreement.

2. TERM. The term of this Agreement shall commence on the date hereof and shall terminate on the third anniversary hereof (the "Term"), subject to the possibility of earlier termination pursuant to the provisions of Paragraph 9 hereof. Not later than six (6) months prior to the end of the Term, the parties shall commence discussing the terms and conditions of any extension of the Term. If not less than three (3) months prior to the end of the Term the Company has not offered in writing to the Employee to extend this Agreement for a period of one (1) year on terms (including base salary, incentive compensation and benefits) at least as favorable as the terms prevailing at the end of the Term,

then the Company shall pay to the Employee at the end of the Term, in addition to the amounts otherwise payable hereunder, a lump-sum severance payment (the "Severance Payment") equal to eighteen (18) weeks of base salary and shall pay during such eighteen (18) week period the premiums on any insurance coverage for the Employee and his family provided hereunder immediately prior to the end of the Term. If the Company, not less than three (3) months prior to the end of the Term, offers an extension for a period of one (1) year on terms (including base salary, incentive compensation and benefits) at least as favorable as the terms prevailing at the end of the Term but the Employee declines to extend the Term of this Agreement, no severance shall be payable by the Company.

3. DUTIES. During the Term, the Employee shall serve as the President and Chief Executive Officer of the Company and shall perform tasks reasonably assigned to him from time to time by officers and/or directors of BPMC. The Employee shall be responsible for the day-to-day management of the Company, shall use his best efforts to maintain key employees of the Company who perform in accordance with the Company's requirements and shall perform the functions identified on Exhibit "A" attached hereto, provided that, except as otherwise directed by the Company's Board of Directors, the Employee may delegate functions from time to time to other employees, consultants, agents and/or independent contractors in his reasonable discretion. Subject to the reasonable control of the Board of Directors of the Company, the Employee shall have such powers and duties as generally pertain to a Chief Executive Officer and President, together with such other rights, responsibilities and duties as may be reasonably conferred upon him by the Board of Directors of the Company consistent with his status as President and Chief Executive Officer. The Employee shall devote his full business time and energies to the business and affairs of the Company, BPMC and their affiliates and shall use his best efforts, skills and abilities to promote the interests of the Company, BPMC and their affiliates and to diligently and competently perform the duties of his position. Work performed by the Employee hereunder shall be performed by the Employee primarily at the Company's premises, except for travel as may be reasonably necessary for the Employee to perform his duties hereunder and for the Employee to attend monthly or semi-monthly meetings at BPMC's executive offices.

4. COMPENSATION AND BENEFITS. (a) During the Term, the Company shall pay to the Employee, and the Employee shall accept from the Company, as compensation for the performance of services under this Agreement and the Employee's observance and performance of all of the provisions hereof, a "base salary" of not less than One Hundred Fifty Thousand Dollars ($150,000.00) per year. The Employee's base salary shall be payable in accordance with the normal payroll practices of the Company and shall be subject to withholding for applicable taxes and other amounts.

(b) In addition to the base salary described in Paragraph 4(a) above, for each Year (or partial Year) during the Term hereof in which the Company generates positive income before income taxes, the Employee shall be entitled to receive, in cash, guaranteed incentive compensation, to be paid on or before the 90th day following the end of each Year (or if the Employee's employment ends prior to the end of any Year, within ninety (90) days after the termination of employment). The incentive compensation payment to Employee shall equal (i) $25,000 (prorated for partial Years to the extent earned) plus (ii) the Company's income before income taxes for the Year (or partial Year) multiplied by a fraction, the numerator of which is $25,000 and the denominator of which is $512,000. Without limiting Paragraph 4(c)(iv) hereof, the Company shall not be required under this Paragraph 4(b) to pay incentive compensation in excess of $50,000 for any Year (prorated for partial Years to the extent earned). Computations of income before income taxes shall be made in the same manner as in the Company's audited financial statements for the year ended December 31, 1995, previously provided to BPMC, provided that incentive compensation under Paragraph 4(b)(ii) hereof shall be deemed to be an expense of the Company in the Year paid and not in the Year accrued.

(c) (i) During the Term, the Employee and his immediate family shall be entitled to participate in and benefit from, in accordance with the eligibility and other provisions thereof (which provisions shall not discriminate against the Employee), all medical, insurance (life, disability, health and otherwise), health, profit-sharing, pension, retirement, stock option, stock bonus and other employee benefit plans either identified on Exhibit "B" hereto and/or hereafter made available by BPMC to, or in effect for, its senior executives from time to time, and the Employee shall receive benefits thereunder consistent with benefits received by the other individuals receiving benefits under the employee benefit plans identified on Exhibit "B" and/or by senior executives of BPMC (it being understood that references herein to "employee benefit plans" are not intended to apply to benefits available solely to individual employees). The Employee shall be entitled to receive such other benefits and perquisites as BPMC may make available from time to time to its personnel with commensurate duties. The principal fringe benefits which will be available to the Employee are listed in Exhibit "B" attached hereto. The Company and BPMC retain the right to terminate, alter, replace or modify benefits under any such plans or policies on a non-discriminatory basis from time to time provided that such actions do not materially reduce the value of the aggregate benefits provided to the Employee under such plans or policies (in light of any additional benefits provided to the Employee in connection with such

termination, alteration, replacement or modification). Notwithstanding anything to the contrary contained in the immediately preceding sentence, in the event that Federal law and/or state law directly causes the Company and/or BPMC to terminate, alter, replace or modify benefits (a "Required Benefits

Change") under any such plans or policies, then the parties hereto shall negotiate in good faith to reasonably determine the approximate dollar amount, if any, at the reduction in the value of benefits caused by the Required Benefits Change, and the Company shall compensate the Employee for any such reduction in the value of benefits, over the period of the Term commencing with the date of such change in the benefits.

(ii) The Employee shall also be entitled to four (4) weeks paid vacation, scheduled by the Employee in his reasonable discretion, and seven (7) days paid sick leave each Year during the Term; and to carry-over of any unused sick days from Year to Year.

(iii) In addition to the foregoing, the Employee shall be entitled to use of an automobile leased by the Company (or to reimbursement of lease payments if the Employee leases the automobile) and to reimbursement of all reasonable expenses related to the operation and maintenance of such automobile, including insurance, except for such portion of the lease payments and any other expenses relating to such automobile as would be attributed to the Employee's personal use of such automobile in accordance with allocation practices of the Company and the Employee as of the date hereof. At the end of each lease term of the Employee's automobile, a new lease, with a term not exceeding four years, shall be entered into for a new automobile comparable in quality to the automobile presently provided by the Company to the Employee.

(iv) At least once each Year during the Term hereof, the Board of Directors or appropriate committee of the Company shall consider paying the Employee incentive compensation or bonuses and/or increasing the base salary of the Employee above the minimum levels set forth herein; and the Board of Directors or appropriate committee of BPMC shall consider a grant to the Employee of incentive stock options under BPMC's 1993 Stock Option Plan, as amended. In making their determinations hereunder, the directors of the Company and BPMC shall give due consideration to the Employee's position with and importance to the Company and BPMC, the Employee's past and expected contributions to the Company and BPMC and compensation levels, bonuses and stock option grants awarded to other executives of BPMC and the Company.

5. REIMBURSEMENT OF BUSINESS EXPENSES. During the Term of this Agreement, upon submission of proper invoices, receipts or other supporting documentation to the Company and in accordance with such reasonable guidelines as may be established from time to time by the Company's Board of Directors, the Employee shall be reimbursed by the Company for all reasonable business expenses incurred by the Employee on behalf of the Company in connection with the performance of services under this Agreement.

6. CONFIDENTIALITY.

(a) CONFIDENTIAL INFORMATION. The Employee agrees that he will not, during the Term and for a period of one (1) year after the termination of the Employee's employment with the Company, disclose to anyone (other than the Company, its affiliates and their employees, directors, agents, consultants and other representatives) any confidential information or trade secret of the Company, BPMC or any affiliated entity or of any customer of the Company, BPMC or any affiliated entity ("Confidential Information") or use such Confidential Information for his own benefit, or for the benefit of third parties other than the Company and its affiliates. Notwithstanding the foregoing, Confidential Information shall be deemed not to include information which is or becomes generally available to the public or the Company's industry other than as a direct or indirect result of a wrongful disclosure by the Employee or any other person.

(b) RETURN OF CONFIDENTIAL INFORMATION. Upon the termination of Employee's employment with the Company, the Employee shall promptly deliver to the Company all drawings, manuals, letters, notes, notebooks, reports and copies thereof and all other materials relating to the Company's (or any affiliated entity's) business, provided such materials incorporate Confidential Information, which are in the Employee's possession or control.

(c) COMPANY PROPERTY. The Confidential Information and any and all works conceived, developed, written or contributed by the Employee relating to the Employee's work for the Company (or an affiliated entity, as applicable) (whether during the Term or prior to the commencement of the Term), including any improvements and discoveries, concepts, ideas, designs, source codes, object codes, methods, formulas, know-how, techniques, or any improvements thereon, whether patentable or not, made, conceived or developed, in whole or in part, by the Employee with respect to any work in which the Employee is exposed shall be original and shall be deemed work specifically ordered or commissioned by the

Company (or any affiliated entity) and each such work shall be considered a "work made for hire" within the meaning of 17 U.S.C. ss. 101 of the United States Copyright Act, as amended, and all rights to such work shall belong entirely to the Company. The Company shall have the exclusive rights to all copyrights, trademarks, patents and other proprietary rights relating to such work. The Employee hereby assigns and agrees to assign to the Company all such "work made for hire" and the Employee shall from time to time upon the Company's request (whether prior to or after termination of this Agreement) promptly execute and deliver to the Company any additional instruments necessary to effect the irrevocable assignment of all of the Employee's right, title and interest, including copyright and author rights, in such "works made for hire" to the Company and for the Company to obtain proprietary rights in connection therewith. It is the intention of this paragraph that the Company

(or any affiliated entity, with respect to information produced for such company) shall have the right to copyright such work in the Company's (or such affiliated entity's) name and to use such work in any manner in the Company's sole discretion, whether for the product for which it was intended or otherwise, including any assignment of the rights to such work to third parties and in any ported, translated or otherwise revised or altered versions.

7. NON-COMPETITION.

(a) The Employee agrees that, during the Term and for a period of one (1) year after the termination of the Employee's employment with the Company, the Employee shall not, in the United States or any other geographic area where the Company does business, alone or in association with others: (i) engage, directly or indirectly, in the development, manufacture, packaging, distribution and/or sale of educational software products and/or computer-based training, tutorial and testing programs (the "Competitive Activities"); (ii) have any interest in or be employed by (or act as a consultant to) any company which is primarily engaged in Competitive Activities; and/or (iii) be employed in (or act as a consultant to) any division of a company if such division is engaged in Competitive Activities. Notwithstanding the foregoing, ownership of any amount of the securities of BPMC, the Company, any company controlled by BPMC and/or the Company or any successors thereof (each, a "Protected Company") or the ownership of 5% or less of any class of outstanding securities of a company whose securities are listed on a national securities exchange (including the NASDAQ Stock Market) or traded on the NASDAQ Small-Cap Market shall not be deemed to constitute a breach of this Paragraph 7.

(b) During the same period, the Employee shall not, and shall use his best efforts not to allow any person under his actual control (including employees and agents of the Company or any affiliated company under his actual control) to, directly or indirectly, on behalf of himself or any other person: (i) accept Competitive Activity business from or solicit Competitive Activity business of any person who is, or who had been at any time during the preceding one (1) year, a customer of any Protected Company, or otherwise divert or attempt to divert any Competitive Activity business from a Protected Company; (ii) recruit or otherwise solicit or induce any person who is an employee of, or otherwise engaged by, a Protected Company to terminate his or her employment or other relationship with such Protected Company or hire any person who has left the employ of any Protected Company during the preceding one (1) year; or (iii) use or purport to authorize any person to use any name, mark, logo, trade dress or other identifying words or images which are the same as or confusingly similar to those used at any time by a Protected Company in connection with any product or service.

8. REMEDIES AND LIMITATIONS.

(a) The restrictions set forth in Paragraphs 6 and 7 hereof are considered by the parties to be fair and reasonable. The Employee acknowledges that the restrictions contained in Paragraphs 6 and 7 will not prevent him from earning a livelihood. The Employee further acknowledges that the Company would be irreparably harmed and that monetary damages would not provide an adequate remedy in the event of a breach of the provisions of Paragraphs 6 or 7. Accordingly, the Employee agrees that, in addition to any other remedies available to the Company, the Company shall be entitled to specific performance, injunction and other equitable relief to secure the enforcement of these provisions, and the party seeking such relief shall not be required to post bond as a condition thereto. If any provisions of Paragraphs 6 or 7 relating to the time period, scope of activities or geographic area of restrictions is declared by a court of competent jurisdiction to exceed the maximum permissible time period, scope of activities or geographic area, the maximum time period, scope of activities or geographic area, as the case may be, shall be reduced to the maximum which such court deems enforceable. If any provisions of Paragraphs 6 or 7 other than those described in the preceding sentence are adjudicated to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the original intentions

and agreement of the parties.

(b) Paragraphs 6 and 7 shall forever terminate and be of no further force and effect in the event that (i) BPMC acknowledges in writing or an arbitration panel hereunder finally determines that the Company has terminated the Employee's employment without Cause (as defined in Paragraph 9(c) hereof), the Employee has terminated his employment for Good Reason (as defined in Paragraph 9(d) hereof) or the Agreement has terminated at its Term after the Company did not offer in writing, at least three (3) months prior to the end of the Term, to extend this Agreement for a one (1) year period on terms (including base salary, incentive compensation and benefits) at least as favorable as the terms prevailing at the end of the Term; and (ii) the Company fails to pay the Employee, within fifteen (15) days after such acknowledgement or determination, all amounts due hereunder, which failure continues more than thirty (30) days after written notice thereof. Paragraphs 6 and 7 shall also forever terminate and be of no further force and effect upon an Event of Default under Section 8(a) of the Convertible Note.

(c) It is expressly acknowledged and agreed that, immediately upon the termination or lapse of the limitations set forth in Paragraph 7(a) hereof (whether pursuant to Section 8(b) hereof or otherwise), the Employee shall not be subject to any

prohibition against engaging in Competitive Activities (or activities related to Competitive Activities), whether under this Agreement, the common law or otherwise.

9. TERMINATION. This Agreement may be terminated prior to the expiration of the Term upon the occurrence of any of the events set forth in, and subject to the terms of, this Paragraph 9.

(a) DEATH. This Agreement will terminate immediately and automatically upon the death of the Employee; provided that the Employee's estate shall be entitled to receive any accrued but unpaid base salary as of the date of death, incentive compensation under Paragraph 4(b) for the Year (or partial Year) of death, and the Employee's immediate family members shall continue to be entitled to participate in, benefit from and receive the benefits received by them prior to the Employee's death for the balance of the Term.

(b) DISABILITY. Subject to compliance by the Company with applicable law, this Agreement may be terminated at the Company's option,

immediately upon notice to the Employee, if the Employee shall become disabled. For the purposes of this Agreement, the term "disabled" shall mean the Employee's inability to perform his duties under this Agreement for a period of one hundred twenty (120) consecutive days or for an aggregate of one hundred fifty (150) days, whether or not consecutive, in any twelve (12)-month period, due to illness, accident or any other physical or mental incapacity, provided that this provision shall not be deemed to waive the Employee's right to seek reasonable accommodation for any disability, within the meaning of the Americans with Disabilities Act and applicable State law. In the event of any disagreement between the Employee and the Company as to whether the Employee is "disabled" so as to permit the Company to terminate the employment of the Employee pursuant to this Paragraph 9(b), the question of such "disability" shall, at the Employee's request, be submitted to an impartial and reputable physician selected by the mutual agreement of the Company and the Employee, whose determination shall be final and binding on the Company and the Employee (it being understood and agreed that the Company shall pay all fees and expenses of any such physician in connection therewith). Upon termination of the Employee's employment on account of disability, the Employee shall be entitled to receive (i) his full base salary for a period of six (6) months; (ii) one-half of the Employee's base salary for an additional period of one (1) year thereafter; and (iii) incentive compensation under Paragraph 4(b) for the Year (or partial Year) of termination.

(c) CAUSE. This Agreement may be terminated at the Company's option if any of the following events occur and continue for more than thirty (30) days after the Company provides the Employee written notice thereof: (i) material breach by the Employee of any material provision of this Agreement; (ii) gross

negligence or willful misconduct of the Employee in connection with the performance of his duties under this Agreement; (iii) the Employee's willful and grossly negligent refusal to perform his material duties or responsibilities required pursuant to this Agreement; (iv) the Employee's intentional misappropriation for personal use of any business opportunities or material assets of the Company; or (v) the Employee's conviction of, or plea of guilty or no contest to, any felony (any of the foregoing constituting "Cause"). Upon the termination of this Agreement for "Cause," the Employee shall be entitled to his base salary accrued to the date of termination (the "Date of Termination"), and after such date shall not be entitled to any base salary, incentive compensation, bonus, benefits or other rights granted herein to the Employee.

(d) GOOD REASON.

(i) The Employee may terminate this Agreement for "Good Reason" if any of the following events ("Trigger Events") occur and continue beyond the grace period, if any, provided therefor in Paragraph 9(d)(ii): (A) a material breach of any material provision of this Agreement by the Company (including the failure of the Company to pay when due the base salary or incentive compensation, if earned, or to provide the material benefits specified hereunder); (B) an "Event of Default" by BPMC under the Convertible Note (as such term is defined in the Convertible Note) and/or a "Default" by BPMC under the Pledge Agreement (as such term is defined in the Pledge Agreement); (C) the Company demotes the Employee so that the Employee is no longer serving as President and Chief Executive Officer of the Company, the Company assigns any of the Employee's material functions set forth on Exhibit "A" to any person who does not report directly or indirectly to the Employee or the Company assigns to the Employee any new job function outside the scope of duties that would be reasonably expected to be performed by a senior executive officer of the Company or BPMC, if such demotion or assignment is without the Employee's prior written consent; or (D) a relocation of the Company's principal place of business to any location more than twenty (20) miles from the Company's current principal place of business, without the Employee's prior written consent.

(ii) There shall be no grace period for a Trigger Event described in Paragraph 9(d)(i)(B) or Paragraph 9(d)(i)(D). Subject to Paragraph 9(d)(iii) hereof, the grace period for a Trigger Event described in Paragraph 9(d)(i)(A) or Paragraph 9(d)(i)(C) shall extend for thirty (30) days after the Employee gives written notice of such Trigger Event.

(iii) In connection with a notice of a Trigger Event hereunder, the Employee may demand that the existence of the Trigger Event and the actions required to eliminate the Trigger Event be submitted to binding arbitration hereunder under expedited procedures ("Accelerated Arbitration"). In such event, the grace

period for the Trigger Event shall extend for fifteen (15) days after the arbitration decision.

(iv) In the event of termination upon the occurrence of a Trigger Event described in Paragraph 9(d)(i)(A), (B) or (C) or the Company's termination of the Employee's employment without Cause, the Employee shall be entitled to (A) a lump-sum payment, payable within twenty (20) days after termination, equal to the remaining base salary that the Employee would have

received over the remaining Term of this Agreement; (B) incentive compensation under Paragraph 4(b) for the Year (or partial Year) of termination; and (C) continuing benefits over the remaining Term under Paragraph 4(c)(i) hereof, without the necessity of any mitigation of damages by the Employee. In the event of termination upon the occurrence of a Trigger Event described in Paragraph 9(d)(i)(D), then the Employee shall be entitled to incentive compensation under Paragraph 4(b) hereof for the Year (or partial Year) of termination, plus (D) if the Company relocates during the first Year of the Term hereof, a lump sum payment in an amount equal to his base salary then in effect, and continuing benefits, for a period of one year; (E) if the Company relocates during the Second Year of the Term hereof, a lump sum payment in an amount equal to his base salary then in effect, and continuing benefits, for a period of nine months; and (F) if the Company relocates during the third Year of the Term hereof, a lump sum payment in an amount equal to his base salary then in effect, and continuing benefits, for a period of six months or the period remaining in the Term, whichever ends sooner.

(v) If there occurs a Trigger Event which does not end within any grace period therefor but the Employee does not immediately terminate his employment, the Employee shall have the right to subsequently terminate his employment for "Good Reason" as a result of such Trigger Event at any time that the Trigger Event is continuing.

10. BOARD OF DIRECTORS; MEETINGS

(a) During the Term hereof, the Employee shall be elected to serve as a member of the Board of Directors of the Company. BPMC, as sole shareholder of the Company, hereby agrees to vote its shares of the Company to elect the Employee to serve as a director of the Company and to maintain the Employee as a director of the Company at all times during the Term of this Agreement.

(b) During the Term of this Agreement, BPMC shall afford the Employee the right to attend, in person, meetings of the Board of Directors of BPMC and shall provide the Employee with all information provided to the Board of Directors of BPMC. Notwithstanding the foregoing, the Board of BPMC, in its sole and reasonable discretion, may excuse the Employee from meetings or

portions of meetings, or withhold information from the Employee, which involve the Employee or the Company.

11. MISCELLANEOUS.

(a) SURVIVAL. The provisions of Paragraphs 6, 7, and 8 shall survive the termination of this Agreement.

(b) ENTIRE AGREEMENT. This Agreement and the agreements and instruments referenced herein set forth the entire understanding of the parties and merge and supersede any prior or contemporaneous agreements between the parties pertaining to the subject matter hereof.

(c) MODIFICATION. This Agreement may not be modified or terminated orally, and no modification, termination or attempted waiver of any of the provisions hereof shall be binding unless in writing and signed by the party against whom the same is sought to be enforced.

(d) WAIVER. Failure of a party to enforce one or more of the provisions of this Agreement or to require at any time performance of any of the obligations hereof shall not be construed to be a waiver of such provisions by such party nor to in any way affect the validity of this Agreement or such party's right thereafter to enforce any provision of this Agreement, nor to preclude such party from taking any other action at any time which it would legally be entitled to take.

(e) SUCCESSORS AND ASSIGNS. Neither party shall have the right to assign this Agreement, or any rights or obligations hereunder, without the consent of the other party; provided, however, that upon the sale of all or substantially all of the assets, business and goodwill of the Company to another company, or upon the merger or consolidation of the Company with another company, this Agreement shall inure to the benefit of, and be binding upon, both the Employee and the company purchasing such assets, business and goodwill, or surviving such merger or consolidation, as the case may be, in the same manner and to the same extent as though such other company were the Company; provided, further, that no such transaction shall prejudice the rights of the Employee to incentive compensation hereunder and, if reasonably requested by the Employee, BPMC shall guaranty the obligations of the assignee of this Agreement or provide the Employee with a third party guaranty acceptable to the Employee. Subject to the foregoing, this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their legal representatives, heirs, successors and assigns.

(f) COMMUNICATIONS. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been given at the time personally

delivered or when received (or rejected) by registered or certified mail. All notices and other communications shall be sent to the addresses set forth below, or to such other address as the recipient may specify by notice to the other party.

TO THE COMPANY:	Dolphin Inc. c/o Byron Preiss Multimedia Company, Inc. 24 West 25th Street New York, New York 10010 Attention: Mr. Byron Preiss
WITH A COPY TO:	Kane Kessler, P.C. 1350 Avenue of the Americas New York, New York 10019 Attention: Robert L. Lawrence, Esq.
TO THE EMPLOYEE:	Andrew K. Gardner c/o Dolphin Inc. 10 Foster Avenue Suite A2 Gibbsboro, New Jersey 08026
WITH A COPY TO:	Ballard Spahr Andrews & Ingersoll 1735 Market Street 51st Floor Philadelphia, Pennsylvania 19103 Attention: Jeremy T. Rosenblum, Esq.

(g) SEVERABILITY. If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity and enforceability of the other provisions of this Agreement and the provision held to be invalid or unenforceable shall be enforced as nearly as possible according to its original terms and intent to eliminate such invalidity or unenforceability.

(h) ARBITRATION. Any claim, controversy or dispute arising out of or relating to this Agreement or any interpretation or asserted breach thereof or performance thereunder, including without limitation any dispute concerning the scope of this arbitration provision, shall be settled by submission to final, binding and non-appealable arbitration ("Arbitration") for determination, without any right by any party to a trial de novo in a court of competent jurisdiction or a jury verdict. The Arbitration and all pre-hearing, hearing and post-hearing arbitration procedures, including those for Disclosure and Challenge, shall be conducted in accordance with the Commercial Arbitration

Rules (the "Commercial Rules") of the American Arbitration Association (the

"Association"), as supplemented by the procedures set forth in Exhibit "C" to this Agreement.

(i) GOVERNING LAW. This Agreement is made and executed and shall be governed by the laws of the State of New York, without regard to the conflicts of law principles thereof.

(j) NO THIRD-PARTY BENEFICIARIES. Each of the provisions of this Agreement is for the sole and exclusive benefit of the parties hereto and shall not be deemed for the benefit of any other person or entity.

(k) CONTACTS WITH THE PRESS AND ANALYSTS. The Employee shall not discuss with reporters or members of the press or other media or with stock analysts or members of the financial community the business or activities of the Company, BPMC or any affiliate thereof without the approval of BPMC, and the Employee shall use his best efforts to conform any of his statements to such individuals concerning such matters to the recommendations of a senior executive officer of BPMC. Nothing set forth herein shall require the Employee to make any false or misleading statement or to violate any applicable statute, regulation or common law duty. The Employee shall not issue any press release without the written approval of BPMC.

(l) ARBITRATION AND D&O INSURANCE. From the date hereof: (i) for purposes of Article 8 of BPMC's by-laws, relating to indemnification, or any successor provision, the Employee shall be treated as an officer of BPMC serving as an employee of the Company at BPMC's request, and (ii) BPMC shall cause the Employee to be insured under its directors' and officers' insurance policy and/or any similar policy subsequently in force to the same extent as the other senior executive officers of BPMC.

IN WITNESS WHEREOF, each of the parties hereto has duly executed

this Agreement as of the date set forth above.

DOLPHIN INC.

By: /s/ Andrew K. Gardner

Andrew K. Gardner, President

/s/ Andrew K. Gardner

ANDREW K. GARDNER

ACCEPTED AND AGREED TO WITH
RESPECT TO THE SPECIFIC
PROVISIONS OF PARAGRAPHS
4(c)(i), 4(c)(iv), 10, 11(e)
AND 11(l) HEREOF:

BYRON PREISS MULTIMEDIA COMPANY, INC.

By: /s/ Byron Preiss

Name: Byron Preiss, President

EXHIBIT "A"

Responsibilities of Andrew Gardner
President and CEO, Dolphin, Inc.

- Supervise senior staff as well as the entire staff, including hiring, management, evaluation, and termination, if necessary

- Establish and revise, as needed, corporate procedures,

policies, organization, and strategic directions, in coordination with the Company's Board of Directors

- Supervise project management, software development, and quality assurance procedures and work assignments
- Coordinate with BPMC on joint Dolphin/BPMC projects and initiatives
- Solicit and be responsible for sales of Dolphin products
- Make sales calls with BPMC upper management as requested by BPMC
- Attend trade shows historically attended by Dolphin and such additional trade shows as reasonably requested by the Board of Directors of Dolphin or BPMC
- Supervise employees in sales activities
- Supervise the development and maintenance of pre-existing and potential future client relationships
- Help conceptualize projects with Dolphin staff and clients
- Review sales materials
- Review and authorize proposals, including proposed features, budgets and schedules
- Supervise client negotiations over project features, budgets, and schedules
- Negotiate and authorize project contracts
- Review and authorize invoicing, payables, major purchases, benefits, and payroll
- Review financial statements
- Maintain all other material responsibilities undertaken by Employee during 1996

EXHIBIT "B"

BENEFITS

Employee Stock Option Plan of BPMC

Executive Disability Plan of BPMC

Dolphin Inc. Profit Sharing/Pension Plan

Dolphin Inc. Health Plan

Any additional BPMC benefits described in Schedule 3.11A of the Purchase Agreement other than the BPMC 401-K plan and BPMC Group Major Medical and Hospitalization Insurance Plan.

EXHIBIT "C"

Arbitration Procedures

1. Any party seeking arbitration of any issues arising under or in connection with this Agreement shall give notice of a demand to arbitrate (the "Demand") to the other party and to the American Arbitration Association (the "Association"). The Demand shall: (i) specify the issues to be determined; (ii) include a copy of this arbitration provision; and (iii) designate an arbitrator who shall have no prior or existing personal or financial relationship with the designating party.

2. Within forty-five (45) days after receipt of the Demand (thirty (30) days in the event of an Accelerated Arbitration), the other party shall give notice (the "Response") to the party that demanded arbitration and to the Association. The Response shall: (i) specify any additional issues to be arbitrated; (ii) respond to the issues raised by the party that sent the Demand; and (iii) designate a second arbitrator who shall have no prior or existing personal or financial relationship with the designating party.

3. If no Response is received within the period set forth in Section 2 above, the party failing to respond within such period shall be deemed to have conceded the issues set forth in the Demand and the arbitrator designated in the Demand shall enter a default award for the party making the Demand. If a Response is received within the period set forth in Section 2 above but the Response does not designate a second arbitrator, the Association shall immediately designate the second arbitrator.

4. If a Response is received within the period set forth in Section 2 above, the two arbitrators designated pursuant to the foregoing provisions shall designate a third arbitrator within ten (10) days after the designation of the second arbitrator (five (5) days in the event of an Accelerated Arbitration). If the two arbitrators cannot agree on the designation of the third arbitrator within such period, the Association shall designate the third arbitrator.

5. The arbitration panel as designated above shall proceed with the Arbitration by giving notice to all parties of its proceedings and hearings in accordance with the Association's applicable procedures. Within twenty (20) days after all three arbitrators have been appointed (ten (10) days in the event of an Accelerated Arbitration), an initial meeting among the arbitrators and counsel for the parties shall be held for the purpose of establishing a plan for administration of the Arbitration, including: (i) the definition of the issues; (ii) the scope, timing and type of discovery (if any), which may at the discretion of the arbitrators include production of documents in the possession of the parties and/or depositions; (iii) the exchange of documents and the filing of detailed statements of claims and prehearing memoranda; (iii) the schedule and place of hearings; and (iv) any other matters that may promote the efficient, expeditious and cost-effective conduct of the proceeding. The arbitrators shall take all steps as may be practicable to conduct an Accelerated Arbitration as expeditiously as possible. The arbitrators shall base their decision on the express terms, covenants and conditions of this Agreement and the substantive law specified by the Agreement. The arbitrators shall be bound to make specific findings of fact and reach conclusions of law, based upon the submissions and evidence of the parties, and shall issue a written decision explaining the basis for the decision and award.

6. The parties agree that the arbitrators shall have no power to alter or modify any express provision of the Agreement or to render any award which, by its terms, effects any such alteration or modification.

7. Upon written demand to any party to the Arbitration for the production of documents and things (including computer discs and data) reasonably related to the issues being arbitrated, the party upon which such demand is made shall promptly produce, or make available for inspection and copying, such documents or things without the necessity of any action by the arbitrators, provided, however, that no such demand shall be effective if made more than ninety (90) days after the receipt of the Response (or such shorter

period as the arbitrators shall determine).

8. The arbitrators shall have the power to grant any and all relief and remedies, whether at law or in equity, that could be granted by a court with jurisdiction over the issues being arbitrated and such other relief as may be available under the Commercial Rules of the Association but shall have no power to award punitive damages. Any award of the arbitrators shall include pre-award and post-award interest at a rate or rates considered just under the circumstances by the arbitrators. The decision of the arbitrators shall be final and shall constitute an "award" within the meaning of the Commercial Rules. Judgment upon the arbitration award may be entered in any court with jurisdiction as if it were a judgment of that court.

9. Notwithstanding any other provision hereof to the contrary, the arbitrators shall have the power to assess to either party or to apportion between the parties any and all fees and expenses incurred in connection with the arbitration, including, without limitation, reasonable attorney's fees.

10. Notwithstanding any other provision hereof to the contrary, the parties specifically reserve the right to seek in court a temporary restraining order, preliminary injunction or

similar non-permanent decree, but hereby grant the arbitration tribunal the right to make a final determination of the parties' rights and to dissolve, modify or render permanent any such judicial order, injunction or decree.

11. Notwithstanding any other provision hereof to the contrary, the parties may modify any arbitration provision by mutual consent.

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (the "Agreement"), dated as of March 21, 1997, between BYRON PREISS MULTIMEDIA COMPANY, INC., a New York corporation ("BPMC"), and ANDREW K. GARDNER ("Gardner").

W I T N E S E T H :

WHEREAS, the parties hereto are parties to a certain Stock Purchase Agreement of even date herewith (the "Purchase Agreement"); and

WHEREAS, pursuant to the terms of the Purchase Agreement, BPMC is delivering to Gardner cash, a Convertible Note of even date herewith (the "Convertible Note") and 395,947 unregistered shares (together with up to an additional 4,053 shares that may be released to Gardner under an escrow agreement of even date herewith, the "Basic Shares") of BPMC's common stock, par value $.001 per share (the "Common Stock");

WHEREAS, additional shares of BPMC Common Stock (the "Conversion Shares") may be issued to Gardner (or subsequent holders of the Convertible Note) pursuant to the conversion privilege of the Convertible Note;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the parties hereto hereby agree as follows:

1. Certain Definitions. Capitalized terms used herein which are not otherwise defined herein and which are defined in, or by reference in, the Purchase Agreement shall have the meanings given therein. For the purposes of this Agreement, the following terms shall have the following meanings:

"Additional Seller(s)" shall mean those shareholders of BPMC whose names are set forth on Exhibit "A" hereto.

"Agreement" shall mean this Registration Rights Agreement, as the same may be amended, modified or supplemented from time to time.

"Conversion Securities" shall mean Registrable Securities that are Conversion Shares or securities issued in exchange for or substitution of any thereof, or as a result of a stock split, in connection with a recapitalization, merger, consolidation or other reorganization, or as a dividend or other distribution in respect of any thereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any similar federal statute then in effect, and a reference to a

particular section thereof shall be

deemed to include a reference to the comparable section, if any, of any such similar federal statute.

"Holder" shall mean Gardner and each Person to whom Registrable Securities are transferred so long as such Person holds such Registrable Securities.

"Registrable Securities" shall mean the Basic Shares and the Conversion Shares (collectively, the "Shares") and any securities issued in exchange for or substitution of any thereof, or as a result of a stock split, in connection with a recapitalization, merger, consolidation or other reorganization, or as a dividend or other distribution in respect of any thereof. As to any particular Registrable Securities, once issued, such securities shall cease to be Registrable Securities when (i) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (ii) they shall have been disposed of pursuant to Rule 144 (or any successor provision) under the Securities Act, (iii) they shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by BPMC and subsequent disposition of them shall not require registration or qualification of them under the Securities Act or any similar state law then in force (and the Holder thereof shall have received an opinion of independent counsel for the Holder reasonably satisfactory to BPMC to the foregoing effects), or (iv) they shall have ceased to be outstanding.

"Registration Expenses" shall mean any and all expenses incident to performance of or compliance with this Agreement, including without limitation, (i) all SEC and National Association of Securities Dealers, Inc. or stock exchange registration, listing and filing fees, (ii) all fees and expenses of complying with securities or blue sky laws (including reasonable fees and disbursements of counsel for BPMC, the underwriters or the Holders in connection with blue sky qualification of the Registrable Securities (in a maximum of ten (10) states)), (iii) all printing, messenger, telephone and delivery expenses and transfer taxes, (iv) the fees and disbursements of counsel for BPMC and of its independent public accountants, including the expenses of any special audits and/or "cold comfort" letters required by or incident to such performance and compliance, (v) any fees and disbursements of underwriters customarily paid by issuers or sellers of securities, and (vii) the reasonable fees and expenses of any special experts retained in connection with the requested registration, but excluding underwriting discounts and commissions of underwriters, agents or dealers relating to the distribution of the Registrable Securities, if any, transfer taxes and legal expenses of Gardner.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute then in effect, and a reference to a particular section thereof shall be deemed to include a reference to the comparable section, if any, of any such similar federal statute.

"SEC" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act or the Exchange Act.

2. Registration Rights.

(a) Demand Registration.

(i) If at any time after a conversion or partial conversion of the Convertible Note, BPMC shall receive written notice (a "Demand") from the Holder(s) of a majority of the Conversion Securities requesting that BPMC register with the SEC any or all of the Conversion Securities, BPMC shall give to each Holder of Conversion Securities (other than Holders who signed the Demand) written notice of the Demand and of such Holder's right to have such Holder's Conversion Securities included in such registration by submitting a written request to BPMC within twenty (20) days after the date of BPMC's notice (which request shall specify the Registrable Securities intended to be disposed of by such Holder) and BPMC shall expeditiously cause to be prepared and filed an appropriate registration statement under the Securities Act and will use its best efforts to cause the registration statement to become effective and remain effective. In no event shall BPMC be required to effect more than two (2) registrations of the Conversion Securities pursuant to this Section 2(a). Notwithstanding the foregoing, however, BPMC and/or certain shareholders of BPMC will be permitted on a pro-rata basis to also include their shares of BPMC's Common Stock in any such registration (subject to underwriter cutbacks and the availability of audited financial statements of BPMC prepared in the ordinary course). Notwithstanding the foregoing, the Holder(s) acknowledge and agree that during the period ending September 22, 1997 Viacom International, Inc. shall be entitled to a priority in registering any of its registrable securities over the rights of Gardner in registering Conversion Securities under this Section 2(a). Any registration pursuant to this Section 2(a) shall be effected by the preparation and filing by BPMC with the SEC of a registration statement on either Forms S-1, S-2, SB-2 or S-3 or other similar form, with respect to the offering and sale by the Holders of the Conversion

Securities on a continuous or delayed basis in the future pursuant to Rule 415 under the Securities Act.

(ii) BPMC will pay all Registration Expenses in connection with a registration of Conversion Securities pursuant to this Section 2(a) if the registration statement is on Form S-3 and/or if the registration statement becomes effective at a time when the Company is not required to include in such registration statement financial statements other than audited

financial statements previously prepared by the Company. In the event that the Conversion Securities are sought to be registered under a registration statement that does not meet the standards of the preceding sentence, BPMC shall pay the cost of the Registration Expenses which would have been incurred if the registration had been effected on such a registration statement and BPMC and the Holder(s) shall equally share the Registration Expenses which are in excess thereof.

(iii) A registration pursuant to this Section 2(a) will be deemed to have been effected if (A) the registration statement filed in connection with such registration shall have become effective under the Securities Act (provided that if, after such registration statement has become effective, the offering of Conversion Securities pursuant to such registration is interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court, such registration will be deemed not to have been effected), or (B) BPMC is unable to complete such registration statement because one or more Holders of Conversion Securities thus being registered failed to provide information for use in such registration statement requested reasonably and in a timely manner by BPMC or because such Holders otherwise failed to do such reasonable acts and things as may be requested in writing in a timely manner by BPMC, in order to comply with the requirements of law.

(b) Incidental "Piggy-Back" Registration. (i) If at any time BPMC proposes to register any of its equity securities (the "Basic Securities") under the Securities Act (other than a registration on Form S-4 or Form S-8) whether or not for sale for its own account, it will each such time give at least twenty (20) days prior written notice to all Holders of Registrable Securities of its intention to do so and of such Holders' rights under this Section 2. Upon the written request of any such Holder made within twenty (20) days after the receipt of any such notice (which request shall specify the Registrable Securities intended to be disposed of by such Holder and the

intended method of disposition thereof), BPMC will use its best efforts to effect the registration under the Securities Act of all Registrable Securities (on a pro-rata basis with any other equity securities which BPMC is seeking to register pursuant to incidental registration but subject to the priorities set forth in Section 2(b)(ii) below) which BPMC has been so requested to register by the Holders thereof, to the extent requisite to permit the disposition (in accordance with such intended methods thereof) of the Registrable Securities so to be registered; provided that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration BPMC shall determine for any reason not to register such securities, BPMC may, at its election, give written notice of such determination to each Holder of

Registrable Securities and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such registration, without prejudice, however, to the rights of Holders under Section 2(a) hereof. No registration effected under this Section 2(b) shall relieve BPMC of its obligations to effect registrations under Section 2(a) hereof. BPMC will pay all Registration Expenses in connection with each registration of Registrable Securities requested pursuant to this Section 2(b).

(ii) If a registration pursuant to this Section 2(b) involves an underwritten offering and the managing underwriter advises BPMC in writing that, in its opinion, the number of securities requested to be included in such registration exceeds the number of securities which would have an adverse effect on such offering, including the price at which such shares can be sold, BPMC will include in such registration the securities proposed

to be registered by BPMC for its own account and the maximum number of other securities which it is so advised can be sold without such an adverse effect, allocated as follows:

(A) For registrations proposed on or prior to September 22, 1997, all securities proposed to be registered by BPMC for its own account, all Registrable Securities proposed to be registered under this Section 2(b) and all securities proposed to be registered by any Additional Seller pursuant to incidental registration rights of such Additional Sellers shall have priority in registration over any securities proposed to be registered by other holders pursuant to incidental registration rights of such holders (if necessary, allocated pro rata among all such requesting holders on the basis of the relative number or shares or securities each such holder has requested to be included in such registration).

(B) For registrations proposed after September 22, 1997, all securities proposed to be registered by BPMC other than for its own account and other than for the benefit of the Additional Sellers, all Registrable Securities proposed to be registered under this Section 2(b) and all securities proposed to be registered by Viacom International, Inc. shall have the first priority (if necessary, allocated pro rata among all such requesting holders on the basis of the relative number of shares or securities each such holder has requested to be included in such registration).

(C) Notwithstanding anything to the contrary contained herein, if at any time BPMC proposes to register any of its equity securities under the Securities Act pursuant to a Demand made by the Holder pursuant to Section 2(a) hereof, all securities proposed to be registered by BPMC for its own account and all securities proposed to be registered for the benefit of

the Additional Sellers, and all securities proposed to be registered by Viacom International Inc. shall have priority over the registration of all securities proposed to be registered by Holder under this Section 2(b); and any other securities proposed to be registered by BPMC pursuant to incidental registration rights and all securities proposed to be registered by Holder under this Section 2(b) pursuant to incidental registration rights shall have the next priority (if necessary, allocated pro rata among all requesting holders on the basis of the relative number of shares or securities each such holder has requested to be included in such registration);

(D) Notwithstanding anything to the contrary contained herein, if at any time BPMC proposes to register any of its equity securities under the Securities Act pursuant to a demand made by Viacom International Inc. pursuant to Section 2(a) of the Registration Rights Agreement dated as of March 22, 1995 between BPMC and Viacom International Inc., all securities proposed to be registered by Viacom International Inc. shall have priority over the registration of all securities proposed to be registered by Holder under this Section 2(b).

3. Registration Procedures. Whenever BPMC effects or causes the registration of the Registrable Securities under the Securities Act as provided in this Agreement, BPMC will use its best efforts to permit the sale of such Registrable Securities in accordance with the intended method or methods of distribution thereof, and will, as expeditiously as possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, provided, however, that BPMC may discontinue any registration of its securities which is being effected pursuant to Section 2 herein at any time prior to the effective date of the registration statement relating thereto;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period not in excess of two years from the effective date thereof and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the Holders set forth in such registration statement;

(c) furnish to the Holders such number of executed and conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits and all documents

incorporated by reference therein), such number of copies of the prospectus included in such registration statement (including each preliminary prospectus and supplemental prospectus), and such other documents as the Holders may reasonably request in order to facilitate the disposition of the Registrable Securities by such Holders;

(d) use its best efforts to register or qualify (and keep effective such registration or qualification) such Registrable Securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions within the United States as may be reasonably required to permit the Holders to sell the Registrable Securities or as the Holders shall reasonably request, and do any and all other acts and things which may be reasonably necessary or advisable to enable the Holders to consummate the disposition in such jurisdictions of the Registrable Securities; provided that BPMC shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction where, but for the requirements of this subsection (d), it would not be obligated to be so qualified, to subject itself to taxation in any such jurisdiction, or to consent to general service of process in any such jurisdiction; provided, further, that this subsection (d) shall not be construed to require BPMC to register as a broker-dealer in any jurisdiction any third person to whom or through whom a Holder proposes to sell Registrable Securities;

(e) immediately notify the Holders, at any time when a prospectus relating thereto is required to be delivered under the Securities Act within the appropriate period mentioned in subsection (b) of this Section 3, of BPMC becoming aware that the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and at the request of the Holders promptly prepare and furnish to such Holders a reasonable number of copies of an amended or supplemented prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(f) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, beginning with the first month after the effective date of the Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act;

(g) use its best efforts to list such Registrable Securities on NASDAQ or any securities exchange on which securities of such class are then listed, if such Registrable Securities are not already so listed, and to provide a transfer agent and registrar for such Registrable Securities covered by such registration statement not later than the effective date of such registration statement;

(h) enter into such agreements (including an underwriting agreement in customary form) and take such other actions as the Holders reasonably request in order to expedite or facilitate the disposition of such Registrable Securities;

(i) whether or not the registration related to an underwritten offering, make such representations and warranties to the Holders and to the underwriters, if any, as are customarily made by issuers to underwriters in underwritten offerings, obtain opinions of counsel to BPMC addressed to each Holder and to the underwriters, if any, covering the matters customarily covered in underwritten offerings, and obtain a "cold comfort" letter or letters and updates thereof from BPMC's independent public accountants in customary form and covering matters of the type customarily covered in underwritten offerings, in each case as the underwriters or the Holders shall reasonably request; and

(j) make available for inspection (at reasonable times and upon reasonable notice) by the Holders, by any underwriter participating in any disposition to be effected pursuant to such registration statement and by any

attorney, accountant, or other agent retained by the Holders or any such underwriter, all pertinent financial and other records and

pertinent corporate documents of BPMC, and cause all of BPMC's executive officers and directors to supply all information reasonably requested by the Holders, underwriter, attorney, accountant or agent in connection with such registration statement.

BPMC may require the Holders to furnish BPMC such information regarding the Holders and the distribution of such securities for use in the registration statement relating to such registration as BPMC may from time to time reasonably request in writing and to do such reasonable acts and things as BPMC may from time to time reasonably request in order to permit BPMC to comply with the requirements of law.

Each Holder of Registrable Securities agrees by acquisition of such Registrable Securities that, upon receipt of any notice from BPMC of the happening of any event of the kind described in subsection (e) of this Section 3, such Holder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended

prospectus contemplated by subsection (e) of this Section 3, and if so directed by BPMC, such Holder will deliver to BPMC all copies, other than permanent file copies then in such Holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event BPMC shall give any such notice, the period mentioned in subsection (b) of this Section 3 shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to subsection (e) of this Section 3 to and including the date when each Holder of Registrable Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by subsection (e) of this Section 3.

BPMC shall have no obligation to register any of the Registrable Securities pursuant to this Agreement if BPMC has obtained an opinion of counsel to the effect that the Registrable Securities may be immediately sold to the public without registration thereof, whether pursuant to Rule 144 (provided that the volume of sales or manner of sale restrictions thereof shall not be applicable to such sale) promulgated under the Securities Act, any successor rule or otherwise.

4. Indemnification.

(a) Indemnification by BPMC. In the event of any registration of any securities of BPMC under the Securities Act pursuant to Section 2 herein, BPMC will, and it hereby does, indemnify and hold harmless, to the fullest extent permitted by law, the seller of any Registrable Securities covered by such registration statement, its directors and officers or general and limited partners (and directors and officers thereof), and each other Person, if any, who controls such seller within the meaning of the Securities Act, against any and all losses, claims, damages or liabilities, joint or several, and expenses (including legal, accounting and other reasonable expenses incurred in connection with investigation, preparation or defense of

any of the foregoing), to which such seller, any such director or officer or general or limited partner or any such controlling Person may become subject under the Securities Act, the Exchange Act, common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (a) any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary, final or supplemental prospectus contained therein, or any amendment or supplement thereto, or (b) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and BPMC will reimburse such seller and each such director, officer, general or limited partner, and controlling Person for any legal or any other expenses reasonably incurred by them in connection

with investigating or preparing for and defending any such loss, claim, liability, action or proceeding from time to time as such expenses are incurred; provided that BPMC shall not be liable in any such case to any such person, to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement or amendment or supplement thereto or in any such preliminary, final or supplemental prospectus in reliance upon and in conformity with written information furnished to BPMC through an instrument duly executed by such seller specifically stating that it is for use in the preparation thereof. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such seller or any such director, officer, general or limited partner or controlling Person and shall survive the transfer of such securities by such seller.

(b) Indemnification by the Holders of Registrable Securities. As a condition to including any Registrable Securities in any registration statement

filed in accordance with Section 2 herein, Gardner will and it hereby does (and BPMC may require, as a condition to including any Registrable Securities in any registration statement filed in accordance with Section 2 herein, any Holder of Registrable Securities, to provide an undertaking reasonably satisfactory to BPMC pursuant to which such Holder shall indemnify and hold harmless BPMC upon the terms set forth in this Section 4(b)) indemnify and hold harmless (in the same manner and to the same extent as set forth in subsection (a) of this Section 4) BPMC, its directors and officers signing the registration statement and its controlling persons and all other prospective selling Holders and their respective controlling persons with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary, final or supplemental prospectus contained therein, or any amendment or supplement, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to BPMC through an instrument duly executed by such seller specifically stating that it is for use in the final or supplemental prospectus or amendment or supplement, or a document incorporated by reference into any of the foregoing; provided however, in no event shall the liability of any selling Holder of Registrable Securities be greater in amount than the amount of proceeds received by such selling Holder upon such sale. Such indemnity shall remain in full force and effect regardless of any investigation made

by or on behalf of BPMC or any other prospective sellers or any of their respective directors, officers or controlling Persons and shall survive the transfer of such securities by such selling Holder.

(c) Notices of Claims, Etc. Promptly after receipt by an indemnified party hereunder of written notice of the commencement of any action or proceeding with respect to which a claim for indemnification may be made

pursuant to this Section 4, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; provided that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subdivisions of this Section 4, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment (which is based on the written opinion of its counsel) a conflict of interest between such indemnified and indemnifying parties exists in respect of such claim, the indemnifying party will be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to

such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof. If in an indemnified party's reasonable judgment (which is based on the written opinion of its counsel) a conflict of interest between the indemnified and indemnifying parties exists in respect of a claim or if the indemnifying party refuses to participate in and to assume the defense of any action brought against an indemnified party, the indemnified party may assume the defense of such claim or action with counsel of its choosing which shall not relieve the indemnifying party of its obligations under the preceding subdivisions of this Section 4. No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

(d) Contribution. If the indemnification provided for in or pursuant to this Section 4 is due in accordance with the terms hereof but is held by a court to be unavailable or unenforceable in respect of any losses, claims, damages, liabilities or expenses referred to herein, then each applicable indemnifying party, in lieu of indemnifying such indemnified person, shall contribute to the amount paid or payable by such indemnified person as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified person on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses as well as any other relevant equitable considerations. The relative fault of the indemnifying party on the one hand and of the indemnified person on the other shall be determined by reference to, among other things, whether the untrue or alleged

untrue statement of a material fact or the omission or alleged omission to state

a material fact relates to information supplied by the indemnifying party or by the indemnified person and by such persons' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. In no event shall the liability of any selling Holder of Registrable Securities be greater in amount than the amount of proceeds received by such Holder upon such sale.

5. Rule 144. BPMC covenants that it will use its best efforts to file the reports required to be filed by it under the Securities Act and the

Exchange Act and the rules and regulations adopted by the SEC thereunder (or, if BPMC is not required to file such reports, it will, upon the request of the Holders, make publicly available such information as is necessary to permit sales pursuant to Rule 144 under the Securities Act), and it will do all such other acts and things from time to time as requested by the Holders to the extent required from time to time to enable each Holder to sell shares of Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereunder adopted by the SEC. Upon the request of any Holder, BPMC will deliver to such Holder a written statement as to whether it has complied with such requirements.

6. Miscellaneous.

(a) Amendments and Waivers. This Agreement may be amended and BPMC may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if BPMC shall have obtained the written consent to such amendment, action or omission to act, of Gardner. Holders of Registrable Securities shall be bound by any consent authorized by this Section 6(a), whether or not such Registrable Securities shall have been marked to indicate such consent.

(b) Successors, Assigns and Transferees. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their legal successors-in-interest, and nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

(c) Notices. All notices and other communications provided for hereunder shall be given and shall be effective as provided in the Purchase Agreement.

(d) Descriptive Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise effect the meaning of terms contained herein.

(e) Severability. In the event that any one or more of the provisions, paragraphs, words, clauses, phrases or sentences contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the

validity, legality and enforceability of such provision, paragraph, word, clause, phrase, or sentence in every other respect and of the remaining provisions, paragraphs, words, clauses, phrases or sentences hereof shall not be in any way impaired, it being intended that all rights, powers and privileges of the parties hereto shall be enforceable to the fullest extent permitted by law.

(f) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than on such counterpart.

(g) Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York.

(h) Remedies. BPMC acknowledges that monetary damages will not be adequate compensation for any loss incurred by reason of a breach by it of the provisions hereof and agrees, to the fullest extent permitted by law, to waive the defense of adequacy of legal remedies in any action for specific performance hereof.

(i) Merger, etc. If, directly or indirectly: (i) BPMC shall merge with and into, or consolidate with, any other Person, (ii) any Person shall merge with and into, or consolidate with, BPMC and BPMC shall be the surviving corporation of such merger or consolidation and, in connection with such merger or consolidation, all or part of the Registrable Securities shall be changed into or exchanged for stock or other securities of any other Person, or (iii) BPMC shall sell substantially all of its assets to any other Person in exchange for stock or other securities of any other Person, then, in each case, proper provision shall be made so that such Person shall be bound by the provisions of this Agreement, the Holder shall have registration rights with respect to the stock or other securities of the surviving entity or successor to the business of BPMC and the term "BPMC" shall thereafter be deemed to include any successor to BPMC with respect to the obligations hereunder, by merger, consolidation or otherwise. For purposes hereof, the term "Person" shall mean any individual, corporation, partnership, trust or other non-governmental entity.

7. Termination. Except as otherwise provided herein, BPMC's obligations under Section 2 hereof shall terminate on the date upon which there shall be no Registrable Securities outstanding.

IN WITNESS WHEREOF, each of the undersigned has caused this

Registration Rights Agreement to be executed on its behalf as of the date first written above.

BYRON PREISS MULTIMEDIA COMPANY, INC.

By: _____
Name:
Title:

_____
Andrew K. Gardner

CONSENTED BY:

VIACOM INTERNATIONAL INC.

By:_____
Name:
Title:

_____
Byron Preiss

_____
Martin L. Berman

_____
Phyllis Berman

_____
Steven C. Berman

ALISON A. BERMAN
LIFETIME INCOME TRUST

By:_____
Mark Kaplan, Co-Trustee

MARK K. BERMAN
LIFETIME INCOME TRUST

Mark Kaplan, Co-Trustee

MARTIN L. BERMAN FOUNDATION

By:_____
Martin L. Berman, Trustee

Preiss Charitable Foundation, Inc.

By:_____
Name:
Title:

EXHIBIT "A"

Additional Sellers

1. Byron Preiss
2. Preiss Charitable Foundation, Inc.
3. Martin L. Berman
4. Phyllis Berman
5. Steven C. Berman
6. Alison A. Berman Lifetime Income Trust
7. Mark K. Berman Lifetime Income Trust
8. Martin L. Berman Foundation