

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-04-01**
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FILER

RADIUS INC

CIK: **805574** | IRS No.: **680101300** | State of Incorpor.: **CA** | Fiscal Year End: **0930**
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*RADIUS INC
215 MOFFETT PARK DR
SUNNYVALE CA 94089-1374*

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SUNNYVALE CA 94089-1374
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED APRIL 1, 1995.

OR

TRANSITION REPORT PURSUANT TO SECTION 13(D) OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

COMMISSION FILE NUMBER: 0-18690

RADIUS INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CALIFORNIA
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

68-0101300
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

215 MOFFETT PARK DRIVE
SUNNYVALE, CA 94089
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES AND ZIP CODE)

(408) 541-6100
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES NO

THE NUMBER OF SHARES OUTSTANDING OF THE REGISTRANT'S COMMON STOCK ON MAY 10, 1995 WAS 14,276,056.

This report consists of __ sequentially numbered pages. The exhibit index on this report is located on sequentially numbered page __.

RADIUS INC.

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PART 1. FINANCIAL INFORMATION

RADIUS INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS

<TABLE>
<CAPTION>

	APRIL 1, 1995	SEPTEMBER 30, 1994 (1)
	-----	-----
	(unaudited)	
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 4,373	\$ 15,997
Accounts receivable, net	88,545	62,145
Inventories	31,281	21,069
Prepaid expenses and other current assets	4,330	1,473
Income tax receivable	1,254	9,083
Deferred income taxes	8,400	8,400
	-----	-----
Total current assets	138,183	118,167
Property and equipment, net	8,527	7,728
Deposits and other assets	1,117	964
	-----	-----
	\$147,827	\$126,859
	-----	-----
	-----	-----

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 66,777	\$ 39,255
Accrued payroll and related expenses	3,325	4,024
Accrued warranty costs	2,383	2,255
Other accrued liabilities	10,174	6,650
Accrued income taxes	1,082	1,237
Accrued restructuring costs	3,493	15,148

Short-term borrowings	18,483	18,095
Obligation under capital leases - current portion	1,468	1,647
	-----	-----
Total current liabilities	107,185	88,311
Obligations under capital leases - noncurrent portion	2,140	2,857
Commitments and contingencies		
Shareholders' equity:		
Common stock	88,463	87,017
Common stock to be issued	12,022	-
Accumulated deficit	(61,996)	(51,251)
Accumulated translation adjustment	13	(75)
	-----	-----
Total shareholders' equity	38,502	35,691
	-----	-----
	\$147,827	\$126,859
	-----	-----
	-----	-----

<FN>

(1) The balance sheet at September 30, 1994 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

</TABLE>

See accompanying notes.

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RADIUS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data; unaudited)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED APRIL 1,		SIX MONTHS ENDED APRIL 1,	
	-----		-----	
	1995	1994	1995	1994
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net sales	\$84,447	\$83,180	\$163,682	\$171,193
Cost of sales	62,913	57,279	119,671	130,336
	-----	-----	-----	-----
Gross profit	21,534	25,901	44,011	40,857
	-----	-----	-----	-----
Operating expenses:				
Research and development	4,672	6,445	8,790	15,093
Selling, general and administrative	14,401	19,003	30,283	40,408
	-----	-----	-----	-----
Total operating expenses	19,073	25,448	39,073	55,501
	-----	-----	-----	-----
Income (loss) from operations	2,461	453	4,938	(14,644)
Interest expense, net	(2,154)	(121)	(3,074)	(280)
Settlement of litigation	-	-	(12,422)	-
	-----	-----	-----	-----
Income (loss) before income taxes	307	332	(10,558)	(14,924)
Provision (benefit) for income taxes	31	688	187	(5,389)

Net income (loss)	\$ 276	\$ (356)	\$ (10,745)	\$ (9,535)
Income (loss) per share:				
Net income (loss) per share	\$ 0.02	\$ (0.03)	\$ (0.76)	\$ (0.71)
Common and common equivalent shares used in computing net income (loss) per share	15,429	13,496	14,183	13,433

</TABLE>

See accompanying notes.

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RADIUS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
(in thousands, unaudited)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED APRIL 1,	
	1995	1994
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	\$ (10,745)	\$ (9,535)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation and amortization	2,184	1,911
Elimination of SuperMac loss for three months	-	9,914
Common stock to be issued	12,022	-
(Increase) decrease in assets:		
Accounts receivable	(26,312)	(14,658)
Inventories	(10,212)	1,619
Prepaid expenses and other current assets	(2,857)	(716)
Income tax receivable	7,829	9,551
Deferred income taxes	-	1,012
Increase (decrease) in liabilities:		
Accounts payable	27,522	4,928
Accrued payroll and related expenses	(699)	(731)
Accrued warranty costs	128	(1,622)
Other accrued liabilities	3,524	1,667
Accrued restructuring costs	(11,655)	(5,798)
Accrued income taxes	(155)	(348)
Net cash (used in) operating activities	(21,448)	(2,806)
Cash flows from investing activities:		
Capital expenditures	(2,983)	(1,962)
Deposits and other assets	(153)	(352)
Proceeds from sale or maturity of short-term investments	-	9,902
Purchase of short-term investments	-	(2,002)

Net cash provided by (used in) investing activities	(3,136)	5,586
Cash flows from financing activities:		
Principal payments of short-term borrowings, net	388	135
Principal payments of long-term debt and capital leases	(896)	(314)
Issuance of common stock	1,446	1,993
Net cash provided by (used in) financing activities	12,960	1,814
Net increase (decrease) in cash and cash equivalents	(11,624)	4,594
Cash and cash equivalents, beginning of period	15,997	24,013
Cash and cash equivalents, end of period	\$ 4,373	\$28,607
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest paid	\$ 1,082	\$ 358
Income taxes paid	\$ -	\$ 6

</TABLE>

See accompanying notes.

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RADIUS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The consolidated financial statements of Radius Inc. ("Radius" or the "Company") as of April 1, 1995 and for the three and six months ended April 1, 1995 and 1994 are unaudited. In the opinion of management, the consolidated financial statements reflect all adjustments necessary for a fair presentation of the financial position and results of operations for the interim periods presented. These consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 1994.

Radius and SuperMac Technology, Inc. ("SuperMac") merged into the combined company (the "Company") effective August 31, 1994 (the "Merger"), which was accounted for as a pooling of interests. The consolidated financial statements for all periods prior to fiscal 1994 have not been restated to adjust SuperMac's fiscal year end to that of Radius. Such periods include Radius' results of operations and balance sheet data on a September 30 fiscal year basis and SuperMac's on a December 31 calendar year basis. The Company's fiscal year ends on the Saturday closest to September 30, which includes 52 weeks in fiscal 1995. The Company's 1994 fiscal year ended on the Sunday closest to September 30, which included 52 weeks in fiscal 1994.

During the first quarter of fiscal 1995, the Company changed its fiscal year end from the Sunday closest to September 30 to the Friday closest to September 30. During the second quarter of fiscal 1995, the Company changed its fiscal year end to the Saturday closest to September 30 for operational efficiency purposes. This change will be effective for all periods in fiscal year 1995.

NOTE 2. INVENTORIES

Inventories, stated at the lower of cost or market, consist of (in thousands):

<TABLE>
<CAPTION>

	APRIL 1, 1995	SEPTEMBER 30, 1994
	-----	-----
	(unaudited)	
<S>	<C>	<C>
Raw materials	\$ 423	\$ 4,515
Work in process	5,084	6,852
Finished goods	25,774	9,702
	-----	-----
	\$31,281	\$21,069
	-----	-----
	-----	-----

</TABLE>

NOTE 3. COMMITMENTS AND CONTINGENCIES

The Company settled two securities class action lawsuits during the second quarter of fiscal 1995. The settlements are subject to final approval by the federal court in San Jose, California which is scheduled to occur in June 1995. The financial statements for the first quarter of fiscal 1995 include a charge to other income of \$12.4 million, reflecting settlement costs not covered by insurance as well as related legal fees, resulting in a reduction in net income from \$1.4 million to a net loss of \$11.0 million or \$0.78 per share for the quarter.

The first lawsuit was filed in September 1992 against Radius and certain of its officers and directors relating to events occurring between January 1992 and early September 1992. The settlement provides for a cash payment of \$3.7 million from the Company's insurance carrier and the issuance of 128,695 shares of the Company's Common stock valued as of the settlement date at \$1.8 million, for a total of \$5.5 million.

The second lawsuit was filed in July 1994 against SuperMac and certain of its officers and directors relating to events occurring between September 1992 and February 1994. Under the settlement, Radius has paid \$250,000 in cash and will issue between 707,609 and 807,609 shares of the Company's Common stock depending on the value of stock when it is distributed to shareholders. The aggregate value of the settlement as of the settlement date was \$10.4 million.

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The settlements will result in dilution to existing shareholders of the Company ranging from 5.9% to 6.6% depending on the number of shares of Radius stock issued. The Company had 14,556,000 common and common shares equivalent outstanding as of April 1, 1995.

NOTE 4. INCOME TAXES

For the three and six month periods ended April 1, 1995 and 1994, the provision (benefit) for income taxes has been computed by applying the estimated annual effective tax rate to income (loss) before income taxes and charge for litigation settlement.

NOTE 5. CHANGE IN METHOD OF ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES

Effective October 1, 1994, the Company adopted FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Statement 115 addresses accounting and reporting for investments in marketable equity securities and in debt securities. Currently the Company does not have any investments that fall under Statement 115. Retroactive restatement is not permitted with Statement 115.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the consolidated interim financial statements and the notes thereto in Part I, Item 1 of this Quarterly Report and with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Annual Report on Form 10-K for the year ended September 30, 1994.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated certain operational data as a percentage of net sales (may not add due to rounding).

<TABLE>
<CAPTION>

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 1, 1995	APRIL 1, 1994	APRIL 1, 1995	APRIL 1, 1994
<S>	<C>	<C>	<C>	<C>
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	74.5	68.9	73.1	76.1
Gross profit	25.5	31.1	26.9	23.9
Operating expenses:				
Research and development	5.5	7.7	5.4	8.8
Selling, general and administrative	17.1	22.8	18.5	23.6
Total operating expenses	22.6	30.6	23.9	32.4
Income (loss) from operations	2.9	0.5	3.0	(8.6)
Interest expense, net	(2.6)	(0.1)	(1.9)	(0.2)
Settlement of litigation	-	-	(7.6)	-
Income (loss) before income taxes	0.4	0.4	(6.5)	(8.7)
Provision (benefit) for income taxes	-	0.8	0.1	(3.1)
Net income (loss)	0.3%	(0.4)%	(6.6)%	(5.6)%

</TABLE>

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NET SALES

The Company's net sales increased 1.5% to \$84.4 million in the second quarter of fiscal 1995 from \$83.2 million for the same quarter in fiscal 1994. This increase was primarily due to revenue growth in the Company's digital video product line as a result of volume shipments of Radius Telecast. In addition, sales of the Company's raster imaging processor (RIP) technology significantly improved and large color display revenues also increased. Although the on-board capability of the Power Macintosh has led to reduced overall demand for graphics cards compared to the prior year quarter, revenues from the newly introduced Thunder IV line of graphic accelerator cards exceeded the Company's expectations.

During the quarter, revenues were adversely affected by substantially higher than normal product returns resulting primarily from the consolidation of the Radius and SuperMac product lines. While the Company believes that returns due to product consolidation will decline in the third fiscal quarter, there can be no assurance that there will not be additional returns that would have

a material adverse impact on results of operations.

Net sales for the first half of fiscal 1995 decreased 4.4% to \$163.7 million from \$171.2 million in the same period in fiscal 1994. This decrease was primarily due to discontinuation of duplicative products and other factors relating to the integration of SuperMac and Radius following the Merger.

One customer accounted for 19.7% and 15.1% of the Company's net sales for the three and six months ended April 1, 1995, respectively. For the corresponding periods of fiscal 1994, one customer accounted for 13.6% and 14.7% of the Company's net sales.

The Company's second quarter export sales increased to 36.5% of net sales from 32.6% of net sales in the same quarter of fiscal 1994 as a result of improved sales in the Asia Pacific region. Export sales were 31.6% of net sales for the six month period in fiscal 1995 which was relatively unchanged from the same period in the prior year.

GROSS PROFIT

The Company's gross profit margin was 25.5% and 26.9% for the three and six month periods ending April 1, 1995, as compared with 31.1% and 23.9% for the corresponding periods in fiscal 1994. The gross margin for the first six months of fiscal 1994 excluding restructuring charges was 31.7%. Excluding the restructuring charges, the decline in gross margin for the three and six month periods was primarily due to lower sales of higher margin graphics accelerator cards, costs incurred to process higher than expected product returns resulting from the consolidation of the Radius and SuperMac product lines, the sale of end of life products, and increased pricing pressures.

The Company anticipates continued price reductions and margin pressure within its industry. The Company is responding to these trends by focusing on higher margin products, taking further steps to reduce product costs and controlling expenses. There can be no assurance that the Company's gross margins will remain at current levels.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses decreased to \$4.7 million or 5.5% of net sales in the second quarter of fiscal 1995 from \$6.4 million or 7.7% of net sales in the same quarter of fiscal 1994. Research and development expenses decreased from \$15.1 million or 8.8% of net sales for the first six months of fiscal 1994 to \$8.8 million or 5.4% of net sales for the corresponding period in fiscal 1995. The decrease in research and development expenses from year to year was primarily due to the reduction of expenses as a result of the Company's restructuring associated with the Merger. The merger-related restructuring has primarily resulted in reduced costs related to headcount, depreciation, and facilities.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses decreased to \$14.4 million or 17.1% of net sales in the second quarter of fiscal 1995 from \$19.0 million or 22.8% of net sales in the same quarter of fiscal 1994. Selling, general and administrative expenses decreased from \$40.4 million or 23.6% of net sales for the first six months of fiscal 1994 to \$30.3 million or 18.5% of net sales for the corresponding period in fiscal 1995.

Selling, general and administrative expenses declined primarily due to the reduction of expenses as a result of the Company's restructuring associated with the Merger. The merger-related restructuring has primarily resulted in reduced

costs related to headcount, depreciation, and facilities. In addition, expenses in the second quarter of fiscal 1995 included a reduction of approximately \$2.1 million of merger-related restructuring reserves to reflect current requirements.

RESTRUCTURING, MERGER AND OTHER CHARGES

During fiscal 1993 and 1994, three restructuring and other charges were recorded. Radius recorded a \$15.5 million restructuring charge during the third quarter of fiscal 1993 in connection with the implementation of a new business model. SuperMac recorded a \$16.6 million restructuring charge during December 1993 in connection with a program to realign its inventory and facility and personnel resources. Subsequently, the two companies merged and incurred a restructuring charge of \$43.4 million, which was recorded in September 1994. This Merger was initiated to provide substantial savings in operating costs for the combined company, resulting from the reduction in the number of employees, elimination of duplicative facilities and the consolidation of the marketing, research and development, operations and administration for the two companies. A discussion of each of these events follows.

RADIUS FISCAL 1993 RESTRUCTURING AND OTHER CHARGES

In June 1993, Radius announced a restructuring program designed to reduce costs and improve operating efficiencies. The program included, among other things, the write-down of inventory following Radius' decision to phase out its older generation of products, lease termination expenses, capital equipment write-offs, severance payments and costs associated with the discontinuation of Radius' minicomputer-class server product. The restructuring program costs of \$15.5 million resulted in an after-tax charge of approximately \$9.5 million during the third quarter of fiscal 1993. The charges (in thousands) are included in: cost of sales (\$10,993); research and development (\$411); and selling, general and administrative expenses (\$4,096). The elements of the total charge as of April 1, 1995 were as follows (in thousands):

<TABLE>
<CAPTION>

		Representing		
		Cash Outlays		
		Asset	Completed	Future
<S>	Provision <C>	Write-Downs <C>	<C>	
Inventory	\$ 8,319	\$ 8,319	\$ -	\$ -
Manufacturing reorganization	3,109	989	2,120	-
Domestic facilities closure	1,994	1,505	489	-
Germany office closure	860	-	860	-
Consulting related to product discontinuation and company reorganization	500	-	500	-
Discontinuation of development projects	411	411	-	-
Executive reorganization	307	-	307	-
	-----	-----	-----	---
Total charges	\$15,500	\$11,224	\$4,276	\$ -

</TABLE>

The Company completed this restructuring event by the end of calendar 1994. There were no material changes in the restructuring plan or in the estimates of the restructuring costs from the recognition of the charge in June 1993 with to the completion of the restructuring program in December 1994. The Company believes the program generally fulfilled the Company's expectations and that the program was successful. Cash expenditures of \$4.3 million were made between June 1993 and December 1994, to complete this restructuring event.

SUPERMAC DECEMBER 1993 RESTRUCTURING AND OTHER CHARGES

In December 1993, SuperMac recorded charges of \$16.6 million in connection

with a program to adjust inventory levels, eliminate excess facilities, terminate certain projects and contract arrangements and reduce the number of employees. The charges (in thousands) are included in: cost of sales (\$13,352); research and development (\$2,000); and selling, general and administrative expenses (\$1,238). The elements of the total charge as of April 1, 1995 were as follows (in thousands):

<TABLE>
<CAPTION>

	Representing			

	Cash Outlays			

	Asset			
	Provision	Write-Downs	Completed	Future
<S>	<C>	<C>	<C>	<C>
Adjust inventory levels	\$10,577	\$ 9,718	\$ 859	\$ -
Excess facilities	1,619	-	1,619	-
Terminate projects and arrangements	2,494	1,294	819	381
Employee severance	1,900	-	1,803	97
	-----	-----	-----	-----
Total charges	\$16,590	\$11,012	\$5,100	\$478

</TABLE>

There have been no material changes in the restructuring plan or in the estimates of the restructuring costs. The Company has \$619,000 remaining in its restructuring reserve, the majority of the balance is expected to be eliminated by the end of fiscal 1995. The Company expects that cash expenditures that will be incurred to complete this restructuring event will not have a material effect on the Company's liquidity. The consolidated results for the Company in both the twelve months ended September 30, 1994 and the fiscal period ended 1993 include SuperMac's \$16.6 million charge.

RADIUS FISCAL 1994 MERGER RELATED RESTRUCTURING AND OTHER CHARGES

In the fourth quarter of fiscal 1994, the Company recorded charges of \$43.4 million in connection with the Merger of Radius and SuperMac. These charges include the discontinuance of duplicative product lines and related assets, elimination of duplicative facilities, property and equipment and other assets and personnel severance costs as well as transaction fees and costs incidental to the Merger. The charges (in thousands) are included in: net sales (\$3,095); cost of sales (\$25,270); research and development (\$4,331); and selling, general and administrative expenses (\$10,710). The elements of the total charge as of April 1, 1995 were as follows (in thousands):

<TABLE>
<CAPTION>

	Representing			

	Cash Outlays			

	Asset			
	Provision	Write-Downs	Completed	Future
<S>	<C>	<C>	<C>	<C>
Adjust inventory levels	\$22,296	\$19,200	\$ 2,791	\$ 305
Excess facilities	2,790	400	2,006	384
Revision of the operations business model	9,061	7,078	1,119	864
Employee severance	6,311	-	6,064	247
Merger related costs	2,949	-	1,735	1,214
	-----	-----	-----	-----
Total charges	\$43,407	\$26,678	\$13,715	\$3,014

</TABLE>

The adjustment of inventory levels reflects the discontinuance of duplicative product lines. The provision for excess facility costs represents the write-off of leaseholds and sublease costs of Radius' previous headquarters, the consolidation into one main headquarters and consolidation of sales offices. The revision of the operations business model reflects the reorganization of the combined Company's manufacturing operations to mirror Radius' previously

revised model implemented as part of the Radius 1993 restructuring. This reorganization was designed to outsource a number of functions that previously were performed internally, reduce product costs through increased efficiencies and lower overhead, and focus the Company on a limited number of products. Employee severance costs are related to employees who have been released due to the revised business model, while related severance payments are expected to be incurred throughout fiscal 1995. The provision for Merger related costs is for the costs associated with the Merger transaction, such as legal, investment banking and accounting fees. The Company has reduced its restructuring reserves by \$2.1 million to accurately reflect current requirements. The Company expects to have substantially completed the restructuring by September 1995. Anticipated results of the restructuring on fiscal 1995 operations are estimated to include savings of \$16.0 million from reduced headcount, \$1.5 million from reduced depreciation expense, and \$0.2 million from reduced rent expense. There can be no

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assurance that these estimated savings will be realized during fiscal 1995. These estimated savings could be affected by future changes in these and other areas.

The cash requirements with respect to the Merger related restructuring and other charges are estimated to be approximately \$16.7 million, of which \$13.7 million had been spent as of April 1, 1995. The Company used a line of credit to help fund these cash requirements, and as of April 1, 1995, the Company had a cash position of \$4.4 million. There can be no assurance that the Company will not incur additional charges to reflect costs associated with the Merger.

LITIGATION SETTLEMENT

The Company settled two securities class action lawsuits during the second quarter of fiscal 1995. The settlements are subject to final approval by the federal court in San Jose, California which is scheduled to occur in June 1995. The financial statements for the first quarter of fiscal 1995 include a charge to other income of \$12.4 million, reflecting settlement costs not covered by insurance as well as related legal fees, resulting in a reduction in net income from \$1.4 million to a net loss of \$11.0 million or \$0.78 per share for the quarter.

The first lawsuit was filed in September 1992 against Radius and certain of its officers and directors relating to events occurring between January 1992 and early September 1992. The settlement provides for a cash payment of \$3.7 million from the Company's insurance carrier and the issuance of 128,695 shares of the Company's Common stock valued as of the settlement date at \$1.8 million, for a total of \$5.5 million.

The second lawsuit was filed in July 1994 against SuperMac and certain of its officers and directors relating to events occurring between September 1992 and February 1994. Under the settlement, Radius has paid \$250,000 in cash and will issue between 707,609 and 807,609 shares of the Company's Common stock depending on the value of stock when it is distributed to shareholders. The aggregate value of the settlement as of the settlement date was \$10.4 million.

The settlements will result in dilution to existing shareholders of the Company ranging from 5.9% to 6.6% depending on the number of shares of Radius stock issued. The Company had 14,556,221 weighted average common shares outstanding as of April 1, 1995.

PROVISION FOR INCOME TAXES

The Company recorded a tax provision of \$31,000 for the second quarter of fiscal 1995 as compared to a provision for taxes for the second quarter of fiscal 1994 of \$688,000. The lower effective tax rate in fiscal 1995 as compared to fiscal 1994, is primarily the result of utilization of net operating loss carryovers. The fiscal 1995 tax provision is primarily comprised of foreign taxes.

FASB Statement 109 provides for the recognition of deferred tax assets if realization of such assets is more likely than not. The Company's valuation allowance reduces the deferred tax asset to the amount realizable. Management believes that as a result of the Merger and the related restructuring of the Company's operations, it is more likely than not that the net deferred tax assets will be realized in the ordinary course of operations based on reversals of existing taxable temporary differences and income from operating activities. However, there can be no assurance that future income will be sufficient to realize this benefit. The Company will evaluate the realizability of the deferred tax asset on a quarterly basis.

FINANCIAL CONDITION

The Company's cash and cash equivalents decreased approximately \$11.6 million in the first six months of fiscal 1995. The decrease in cash and cash equivalents was primarily due to the increase in accounts receivable of \$26.4 million, increase in inventory of \$10.2 million, and cash outlays in connection with merger-related restructuring and other charges accrued in the fourth quarter of fiscal 1994. These cash requirements were partially offset by an increase in accounts payable of \$27.5 million and the receipt of \$7.8 million from an income tax refund.

At April 1, 1995, the Company's principal sources of liquidity were approximately \$4.4 million of cash and cash equivalents. The Company has a \$30.0 million inventory and working capital financing agreement which was fully utilized as of April 1, 1995. In addition, the Company has a \$5.0 million line of credit which was partially utilized as of that date. The Company was in compliance with all financial covenants in connection with its lines of credit as of April 1,

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1995. Additionally, the Company's Japanese subsidiary has a revolving line of credit with a bank in Japan with \$3.4 million being utilized as of April 1, 1995. Recently, the Company's relatively low cash resources have restricted the Company's ability to purchase inventory which in turn has limited its ability to manufacture and sell products thereby adversely affecting the Company's results of operations. This adverse effect on results of operations can be expected to continue until such time as the Company is able to generate additional cash from the collection of receivables or other sources.

Additional funds will be needed to finance the Company's planned development of MacOS compatibles and other products, and for other purposes. The Company is exploring a number of financing alternatives. There can be no assurance that additional financing will be available when needed or, if available, that the terms of such financing will not adversely affect the Company's results of operations.

FACTORS THAT MAY AFFECT FUTURE RESULTS

A number of uncertainties exist that could affect the Company's future operating results, including, without limitation, the ability to manage and direct the Company following the Merger, the cost and availability of components, the Company's ability to control costs, the rate and mix of Apple computers sold and general economic conditions. In addition, new products, product enhancements, aggressive marketing and pricing practices, and numerous other competitive factors could have an impact on the Company's operating results.

The expectation is that the Merger will result in beneficial synergistic effects for the combined company, in addition to a substantial savings in operating costs. To date, the Company has substantially completed the integration of the two companies' businesses on an operational basis. The remaining restructuring related activities are to be completed by the end of fiscal 1995. There can be no assurance that the steps for restructuring the

two companies' operations will reduce costs to the extent, or as quickly, as planned or that they will not adversely affect continuing net sales and results of operations. Product returns resulting from the consolidation of product lines adversely affected the Company's results of operations for the first six months of fiscal 1995 and could have an adverse effect on future results of operations. Even if the effects of the Merger prove to be as anticipated, there can be no assurance that future earnings will not be adversely affected by any number of economic, market or other factors that are not related to the Merger.

The Company's success is highly dependent on its ability to develop innovative and cost-competitive new products and to bring them to market in a timely manner. Should the Company fail to introduce new products on a timely basis, the Company's operating results could be adversely affected.

The Company's primary means of distribution is through a limited number of third-party distributors and resellers. As a result, the Company's business and financial results are highly dependent on the amount of the Company's product ordered by these distributors and resellers which in turn depends on their overall financial condition as well as on their ability to resell such products and maintain appropriate inventory levels. The Company's operating results could be adversely affected if such distributors and resellers are not successful in these or other areas.

Historically, substantially all of the Company's products have been designed for and sold to users of Apple computers. As a result of the Company's dependency on Apple computer products, the Company's operations and financial results could be significantly affected should Apple lose market share or otherwise experience slower sales. New products anticipated from and introduced by Apple could cause customers to defer or alter buying decisions due to uncertainty in the marketplace, as well as presenting direct competition to the Company. For example, sales of the Company's products could be adversely affected by the uncertainties associated with Apple's revamping of its entire product line from using the NuBus structure to using a structure based on the Peripheral Component Interconnect Local Bus standard.

The MacOS compatible systems business will entail significant new challenges for the Company in designing, developing, manufacturing and distributing products and there can be no assurance that the Company will be successful in this new business. As noted above, the Company's entry into the MacOS compatible systems business also will require substantial additional cash resources. In addition, the Company's MacOS compatible business is dependent upon Apple's continued support of and commitment to MacOS licensing.

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Due to the foregoing, the dynamic nature of the Company's industry and other factors, the Company's future operating results and stock price may be subject to significant volatility. In addition, any change in net sales or operating results from levels expected by securities analysts, and the timing of the announcement of such shortfalls, could have an immediate and significant adverse effect on the trading price of the Company's common stock in any given period.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Radius and certain of its officers and directors are defendants in a securities class action litigation brought in September 1992 in the United States District Court for the Northern District of California and seeking unspecified damages, prejudgment and postjudgment interest, attorneys' fees, expert witness fees and costs, and equitable relief. SuperMac, certain of its officers and directors, several venture capital firms and several of the underwriters of SuperMac's May 1992 initial public offering and its February 1993 secondary offering are defendants in a class action litigation brought in

the same court in July 1994 and seeking unspecified damages, prejudgment and postjudgment interest, attorneys' fees, experts' fees and costs, and equitable relief (including the imposition of a constructive trust on the proceeds of defendants' trading activities). These litigations are described in greater detail in Radius' Annual Report on Form 10-K for the fiscal year ended September 30, 1994.

In April 1995, the parties in both litigations entered into settlement agreements. The settlements are subject to final approval of the court. The court has given preliminary approval of the settlements, and hearing on the fairness of the settlements is scheduled in June 1995. Under the settlements of the litigation brought in 1992 against Radius, the Company's insurance carrier is required to pay \$3.7 million in cash (this amount has been deposited in escrow) and the Company is required to issue 128,695 share of its Common Stock to a class action settlement fund. In the settlement of the litigation brought in 1994 against SuperMac, the Company is required to pay \$250,000 in cash and to issue into a class action settlement fund at least 707,609 shares of its Common Stock. The number of shares to be issued by the Company will increase by up to 100,000 if the price of the Common Stock is below \$12 per share during the 60-day period following the initial issuance of shares. If the settlements are not approved by the court, the Company intends to contest the litigations vigorously.

In January 1995, a patent infringement lawsuit was filed in the United States District Court for the Northern District of California by the alleged holder of a patent involving video pixel data transfer claiming that the Company infringes the patent and seeking injunctive relief and damages in an unspecified amount. The complaint does not specify which products of the Company allegedly infringe the plaintiff's patent. The Company has filed an answer denying all the material allegations of the complaint. The Company believes it has meritorious defenses to the action and intends to defend it vigorously.

ITEM 5. OTHER INFORMATION

David R. Brodwin resigned as Vice President, Product and Strategic Marketing effective as of April 21, 1995.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

See attached exhibit index.

(b) REPORTS ON FORM 8-K

No report on Form 8-K was filed during the three months ended April 1, 1995.

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 thereunto duly authorized.

Dated: May 10, 1995

RADIUS INC.

By: /s/ Charles W. Berger

Charles W. Berger
Chairman, President, Chief Executive Officer

By: /s/ Robert W. Saltmarsh

Robert W. Saltmarsh
Chief Financial Officer

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EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NUMBER -----	TITLE -----	SEQUENTIALLY NUMBERED PAGE -----
<S>	<C>	<C>
10.08	A Credit Agreement by and among Radius Inc., the certain financial institutions, and Silicon Valley Bank, dated March 20, 1995.	
	B Credit Agreement by and among Radius Inc., the certain financial institutions, and International Business Machines Credit Corporation, dated February 17, 1995.	
11.01	Computation of per share earnings	

</TABLE>

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Exhibit 1

INVENTORY AND WORKING CAPITAL
FINANCING AGREEMENT

This INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT (as amended, supplemented or otherwise modified from time to time, this "Agreement") is hereby made this 17th day of February, 1995, by and between IBM CREDIT CORPORATION with a place of business at 5000 Executive Parkway, Suite 450, San Ramon, CA 94583 ("IBM Credit"), and Radius Inc. with a place of business at 215 Moffett Park Drive, Sunnyvale, CA 94089 ("Customer").

RECITALS

WHEREAS, Customer has requested that IBM Credit finance Customer's acquisition of inventory and equipment;

WHEREAS, in the course of Customer's operations, Customer intends to purchase from Persons approved in writing by IBM Credit for the purposes of this Agreement (the "Authorized Suppliers") computer hardware and software products manufactured or distributed by or bearing any trademark or trade name of such Authorized Suppliers for distribution throughout the United States (the "Products") (as of the date hereof the Authorized Suppliers are as set forth on Attachment E hereto);

WHEREAS, Customer has requested that IBM Credit finance its purchase of Products from such Authorized Suppliers and its working capital requirements, and IBM Credit is willing to provide such financing to Customer subject to the terms and conditions set forth in this Agreement.

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

Section 1. DEFINITIONS

1.1 Special Definitions. The following terms shall have the following respective meaning in this Agreement:

"A/R Advance": any loan or advance of funds made by IBM Credit to Customer pursuant to Section 2.3 of this Agreement, including, as the context may require, a WCO Advance and a Takeout Advance.

"A/R Advance Date": the Business Day on which IBM Credit makes an A/R Advance under this Agreement.

"A/R Advance Term": a WCO Advance Term.

"A/R Finance Charges": as defined on Attachment A.

"Accounts": as defined in the U.C.C.

"Advance": any loan or other extension of credit by IBM Credit to Customer pursuant to this Agreement including, without limitation, (i) Product Advances and (ii) A/R Advances.

"Affiliate": with respect to the Customer, any Person meeting one of the following: (i) at least 10% of such Person's equity is owned, directly or indirectly, by Customer; (ii) at least 10% of Customer's equity is owned, directly or indirectly, by such Person; or (iii) at least 10% of Customer's equity and at least 10% of such Person's equity is owned, directly or indirectly, by the same Person or Persons. All of Customer's officers, directors, joint venturers, and partners shall also be deemed to be Affiliates of Customer for purposes of this Agreement.

"Auditors": a nationally recognized firm of independent certified public accountants selected by Customer and satisfactory to IBM Credit.

"Available Credit": at any time, (1) the Maximum Advance Amount less (2) the Outstanding Advances at such time.

"Average Daily Balance": the sum of the Outstanding Product Advances or Outstanding A/R Advances, as the case may be, as of the end of each day during a calendar month, divided by the number of days in the calendar month.

"Borrowing Base": as defined in Attachment A.

"Business Day": any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are generally closed or on which IBM Credit is closed.

"Closing Date": the date on which the conditions precedent to the effectiveness of this Agreement set forth in Section 5.1 hereof are satisfied or waived in writing by IBM Credit.

"Code": the Internal Revenue Code of 1986, as amended or any successor statute.

"Collateral": as defined in Section 4.1.

"Collateral Management Report": a report to be delivered by Customer to IBM Credit from time to time, as provided herein, signed by the chief executive officer or chief financial officer, in the form of Attachment F hereto, detailing and certifying, among other items: Customer's Eligible Accounts, the amounts and aging of all of Customer's Accounts, the amounts and aging of Customer's accounts payable as of a specified date, all of Customer's IBM Credit borrowing activity during a specified period and the total amount of Customer's Borrowing Base as well as Customer's Outstanding A/R Advances, Outstanding Product Advances, Available Credit and any Shortfall Amount as of a specified date.

"Common Due Date": (1) the fifth day of a calendar month if the Product Advance Term or A/R Advance Term, whichever is applicable, expires on

the first through tenth of such calendar month; (2) the fifteenth day of a calendar month if the Product Advance Term or A/R Advance Term, whichever is applicable, expires on the eleventh through twentieth of such calendar month; and (3) the twenty-fifth day of a calendar month if the Product Advance Term or A/R Advance Term, whichever is applicable, expires on the twenty-first through the last day of such calendar month.

"Compliance Certificate": a certificate substantially in the form of Attachment C.

"Default": either (1) an Event of Default or (2) any event or condition which, but for the requirement that notice be given or time lapse or both, would be an Event of Default.

"Delinquency Fee Rate": as defined on Attachment A.

"Eligible Account": as defined in Section 3.1.

"Environmental Laws": all statutes, laws, judicial decisions, regulations, ordinances, and other governmental restrictions relating to pollution, the protection of the environment, occupational health and safety, or to emissions, discharges or release of pollutants, contaminants, hazardous substances or wastes into the environment.

"Environmental Liability": any claim, demand, obligation, cause of action, allegation, order, violation, injury, judgment, penalty or fine, cost or expense, resulting from the violation or alleged violation of any Environmental Laws or the imposition of any Lien pursuant to any Environmental Laws.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended, or any successor statutes.

"Event of Default": as defined in Section 9.1.

"Financial Statements": the consolidated and consolidating balance sheets, statements of operations, statements of cash flows and statements of changes in

shareholder's equity of Customer and its Subsidiaries for the period specified, prepared in accordance with GAAP and consistent with prior practices.

"Floor Plan Lender": any Person who now or hereinafter provides inventory financing to Customer, provided that such Person executes an Intercreditor Agreement (as defined in Section 5.1 of this Agreement) or a subordination agreement with IBM Credit in form and substance satisfactory to IBM Credit.

"Free Financing Period": for each Product Advance, the period, if any, in which IBM Credit does not charge Customer a financing charge. IBM Credit shall calculate the Customer's Free Financing Period utilizing a methodology that is consistent with the methodologies used for similarly situated customers of IBM Credit. The Customer understands that IBM Credit may not offer or may cease to offer a Free Financing Period for the Customer's purchases of Products.

"GAAP": generally accepted accounting principles in the United States as in effect from time to time.

"Governmental Authority": any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing.

"Hazardous Substances": all substances, wastes or materials, to the extent subject to regulation as "hazardous substances" or "hazardous waste" under any Environmental Laws.

"Indebtedness": with respect to any Person, (1) all obligations of such Person for borrowed money or for the deferred purchase price of property or services (other than trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices) or which is evidenced by a note, bond, debenture or similar instrument, (2) all obligations of such Person under capital leases, (3) all obligations of such Person in respect of letters of credit, banker's acceptances or similar obligations issued or created for the account of such Person, (4) liabilities arising under any interest rate protection, future, option swap, cap or hedge agreement or arrangement under which such Person is a party or beneficiary, (5) all obligations under guaranties of such Person and (6) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof.

"Investment": with respect to any Person (the "Investor"), (1) any investment by the Investor in any other Person, whether by means of share purchase, capital contribution, purchase or other acquisition of a partnership or joint venture interest, loan, time deposit, demand deposit or otherwise, and (2) any guaranty by the Investor of any Indebtedness or other obligation of any other Person.

"Lien(s)": any lien, claim, charge, pledge, security interest, deed of trust,

mortgage, other encumbrance or other arrangement having the practical effect of the foregoing, including the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"Line of Credit": as defined in Section 2.1.

"Material Adverse Effect": a material adverse effect (1) on the business, operations, results of operations, assets, or financial condition of the Customer, (2) on the aggregate value of the Collateral or the aggregate amount which IBM Credit would be likely to receive (after giving consideration to reasonably likely delays in payment and reasonable costs of enforcement) in the liquidation of such Collateral to recover the Obligations in full, or (3) on the rights and remedies of IBM Credit under this Agreement.

"Maximum Advance Amount": at any time, the lesser of (1) the Line of Credit and (2) the Borrowing Base at such time.

"Obligations": all covenants, agreements, warranties, duties, representations, loans, advances, interest (including interest accruing on or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to Customer, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), fees, reasonable expenses, indemnities, liabilities and Indebtedness of any kind and nature whatsoever now or hereafter arising, owing, due or payable from Customer to IBM Credit, whether primary or secondary, joint or several, direct, contingent, fixed or otherwise, secured or unsecured arising under this Agreement and the Other Agreements.

"Other Agreements": all security agreements, mortgages, leases, instruments, documents, guarantees, schedules of assignment, contracts and similar agreements executed by Customer and delivered to IBM Credit, pursuant to this Agreement or otherwise, and all amendments, supplements and other modifications to the foregoing from time to time.

"Other Charges": as set forth in Attachment A.

"Outstanding Advances": at any time of determination, the sum of (1) the Outstanding Product Advances and (2) the Outstanding A/R Advances.

"Outstanding A/R Advances": at any time of determination, the sum of (1) the unpaid principal amount of all A/R Advances made by IBM Credit under this Agreement; and (2) any finance charge, fee, expense or other amount related to A/R Advances charged to Customer's account with IBM Credit.

"Outstanding Product Advances": at any time of determination, the sum of (1) the unpaid principal amount of all Product Advances made by IBM Credit under this Agreement; and (2) any finance charge, fee, expense or other amount related to Product Advances charged to Customer's account with IBM Credit.

"Payment Dates": the fifth, fifteenth and twenty-fifth day of each calendar

month.

"Permitted Indebtedness": any of the following:

- (1) Indebtedness to IBM Credit;
- (2) Indebtedness described in Section VII of Attachment B;
- (3) Indebtedness to any Floor Plan Lender;
- (4) Purchase Money Indebtedness;
- (5) guaranties in favor of IBM Credit; and
- (6) guaranty in favor of Sanwa Bank on behalf of Radius KK in the amount of three million dollars (\$3,000,000); and
- (7) guaranties on behalf of Subsidiaries of Customer in favor of other creditors in an aggregate amount at any time not exceeding five hundred thousand dollars (\$500,000), other than as set forth in (6) above; and
- (8) Other Indebtedness consented to by IBM Credit in writing prior to the incurrence thereof.

"Permitted Liens": any of the following:

- (1) Liens which are the subject of an Intercreditor Agreement, in effect from time to time between IBM Credit and any other secured creditor;
- (2) Purchase Money Security Interests;
- (3) Liens described in Section I of Attachment B;
- (4) Liens of warehousemen, mechanics, materialmen, workers, repairmen, common carriers, landlords and other similar Liens arising by operation of law or otherwise, not waived in connection herewith, for amounts that are not yet due and payable or being contested in good faith by appropriate proceedings promptly instituted and diligently conducted if an adequate reserve or other appropriate provisions shall have been made therefor as required to be in conformity with GAAP and an adverse determination in such proceedings could not reasonably be expected to have a Material Adverse Effect;
- (5) attachment or judgment Liens individually or in the aggregate not in excess of five hundred thousand dollars (\$500,000) (exclusive of (A) any amounts that are duly bonded to the satisfaction of IBM Credit or (B) any amount fully covered by insurance as to which the insurance company has acknowledged its obligation to pay such judgment in full);
- (6) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not

substantial in amount and which do not materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of Customer;

(7) extensions and renewals of the foregoing permitted Liens; provided that (A) the aggregate amount of such extended or renewed Liens do not exceed the original principal amount of the Indebtedness for which it secures, (B) such Liens do not extend to any property other than property already previously subject to the Lien and (C) such extended or renewed Liens are on terms and conditions no more restrictive than the terms and conditions of the Liens being extended or renewed;

(8) Liens arising from deposits or pledges to secure bids, tenders, contracts, leases, surety and appeal bonds and other obligations of like nature arising in the ordinary course of the Customer's business;

(9) Liens for taxes, assessments or governmental charges not delinquent or being contested, in good faith, by appropriate proceedings promptly instituted and diligently conducted if an adequate reserve or other

appropriate provisions shall have been made therefor as required in order to be in conformity with GAAP and an adverse determination in such proceedings could not reasonably be expected to have a Material Adverse Effect;

(10) Liens arising out of deposits in connection with workers' compensation, unemployment insurance or other social security or similar legislation;

(11) Liens arising pursuant to this Agreement; and

(12) other Liens consented to by IBM Credit in writing prior to the incurrence thereof.

"Person": any individual, association, firm, corporation, partnership, trust, unincorporated organization or other entity whatsoever.

"Policies": all policies of insurance required to be maintained by Customer under this Agreement or any of the Other Agreements.

"Prime Rate": as of the date of determination, the average of the rates of interest announced by Citibank, N.A., The Chase Manhattan Bank, N.A. and Bank of America National Trust & Savings Association as their prime or base rate, as of the last Business Day of the calendar month immediately preceding the date of determination, whether or not such announced rates are the actual rates charged by such banking institutions to their most creditworthy borrowers.

"Product Advance": any advance of funds made or committed to be made by IBM Credit for the account of Customer to an Authorized Supplier in respect of an invoice delivered by such Authorized Supplier to IBM Credit describing Products purchased by Customer.

"Product Advance Charge": as defined on Attachment A.

"Product Advance Term": for each Product Advance, a period of days equal to that set forth in Attachment A from time to time, commencing on the invoice date of such Product Advance.

"Purchase Money Indebtedness": any Indebtedness (including capital leases) incurred to finance the acquisition of assets (other than assets manufactured or distributed by or bearing any trademark or trade name of any Authorized Supplier) to be used in the Customer's business not to exceed the lesser of (1) the purchase price or acquisition cost of such asset and (2) the fair market value of such asset.

"Purchase Money Security Interest": any security interest securing Purchase Money Indebtedness, which security interest applies solely to the particular asset acquired with the Purchase Money Indebtedness.

"Request for A/R Advance": as defined in Section 2.3.

"Requirement of Law": as to any Person, the articles of incorporation and by-laws of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other governmental

authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Subsidiary": with respect to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by such Person.

"Takeout Advance": an A/R Advance made to existing creditors of Customer on behalf of Customer, in an amount sufficient to discharge Customer's indebtedness to such creditor.

"Termination Date": shall mean (i) the first anniversary of the date of this Agreement or such other date as IBM Credit and Customer may agree to in writing from time to time.

"Voting Stock": securities, the holders of which are ordinarily, in the absence of contingencies, entitled to elect the corporate directors (or persons performing similar functions).

"WCO Advance": an A/R Advance, with a WCO Advance Term.

"WCO Advance Term": for each WCO Advance, a period of one hundred eighty (180) days commencing on the A/R Advance Date for such WCO Advance.

1.2. Other Defined Terms. Terms not otherwise defined in this Agreement which are defined in the Uniform Commercial Code as in effect in the State of New York

(the "U.C.C.") shall have the meanings assigned to them therein.

Section 2. LINE OF CREDIT/FINANCE CHARGES/OTHER CHARGES

2.1. Line of Credit. Subject to the terms and conditions set forth in this Agreement, on and after the Closing Date to but not including the date that is the earlier of (x) the date on which this Agreement is terminated pursuant to Section 10.1 and (y) the date on which IBM Credit terminates the Line of Credit pursuant to Section 9.2, IBM Credit agrees to extend to the Customer a line of credit ("Line of Credit") in the amount set forth in Attachment A pursuant to which IBM Credit will make to the Customer, from time to time, Advances in an aggregate amount at any one time outstanding not to exceed the Maximum Advance Amount.

2.2 Product Advances. (A) Subject to the terms and conditions of this Agreement, IBM Credit shall make Product Advances in connection with Customer's purchase of Products from Authorized Suppliers. Customer hereby authorizes and directs IBM Credit to pay the proceeds of Product Advances directly to the applicable Authorized Supplier in respect of invoices delivered to IBM Credit for such Products by such Authorized Supplier and acknowledges that each such Product Advance constitutes a loan by IBM Credit to Customer pursuant to this Agreement as if the Customer received the proceeds of the Product Advance directly from IBM Credit.

(B) No finance charge shall accrue on any Product Advance during the Free Financing Period, if any, applicable to such Product Advance. Customer shall repay each Product Advance no later than the Common Due Date for such Product Advance. Customer may, at its option, repay each Product Advance by requesting IBM Credit to apply all or any part of the principal amount of an A/R Advance to the Outstanding Product Advances. Customer's request for such application shall be made in accordance with Section 2.3. When so requested and subject to the terms and conditions of this Agreement, IBM Credit shall apply the amount so requested to the amounts due in respect of the Outstanding Product Advances. Nothing contained herein shall relieve Customer of its obligation to repay Product Advances when due. Each Product Advance shall accrue a finance charge on the Average Daily Balance thereof from the end of the Free Financing Period, if any, for such Product Advance, or if no such Free Financing Period shall be in effect, from the date of invoice for such Product Advance, in each case, until such Product Advance shall become due and payable in accordance with the terms of this Agreement, at a per annum rate equal to the lesser of (a) the finance charge set forth in Attachment A to this Agreement as the "Product Advance Charge" and (b) the highest rate from time to time permitted by applicable law. In addition, for any Product Advance with respect to which a Free Financing Period shall not be in effect, Customer shall pay a fee equal to 50 basis points of such Product Advance. Such fee shall be due and payable on the Common Due Date for such Product Advance. If it is determined that amounts received from Customer were in excess of the highest rate permitted by law, then the amount representing such excess shall be considered reductions to principal of Advances.

(C) Customer acknowledges that IBM Credit does not warrant the Collateral. Customer shall be obligated to pay IBM Credit in full even if the Collateral is defective or fails to conform to the warranties extended by the Authorized Supplier. The Obligations of Customer shall not be affected by any dispute Customer may have with any manufacturer, distributor or Authorized Supplier. Customer will not assert any claim or defense which it may have against any manufacturer, distributor or Authorized Supplier against IBM Credit.

(D) Customer hereby authorizes IBM Credit to collect directly from any Authorized Supplier any credits, rebates, bonuses or discounts owed by such Authorized Supplier to Customer ("Supplier Credits"). Any Supplier Credits received by IBM Credit may be applied by IBM Credit to the Outstanding Advances. Any Supplier Credits collected by IBM Credit shall in no way reduce Customer's debt to IBM Credit in respect of the Outstanding Advances until such Supplier Credits are applied by IBM Credit.

(E) IBM Credit may apply any payments and Supplier Credits received by IBM Credit to reduce finance charges first and then to principal amounts of Advances owed by Customer. IBM Credit may apply principal payments to the oldest (earliest) invoices (and related Product Advances) first, but, in any case, all principal payments will be applied in respect of the Outstanding Product Advances made for Products which have been sold, lost, stolen, destroyed, damaged or otherwise disposed of prior to any other application thereof.

(F) Customer will indemnify and hold IBM Credit harmless from and against any claims or demands asserted by any Person relating to or arising from the Collateral for any reason whatsoever, including, without limitation, the condition of the Collateral, any misrepresentation made about the Collateral by any representative of Customer, or any act or failure to act by Customer except to the extent such claims or demands are directly attributable to IBM Credit's gross negligence or willful misconduct. Nothing contained in the foregoing shall impair any rights or claims which the Customer may have against any manufacturer, distributor or Authorized Supplier.

2.3. A/R Advances. (A) Whenever Customer shall desire IBM Credit to provide a WCO Advance, Customer shall deliver to IBM Credit (i) written notice of Customer's request for such an Advance ("Request for A/R Advance") and (ii) a Collateral Management Report. For any requested A/R Advance pursuant to which monies will be disbursed to Customer or any Person other than IBM Credit, a Request for A/R Advance shall be delivered to IBM Credit on or prior to 1:00 p.m. (Stamford, CT time) one Business Day prior to the requested A/R Advance Date. The Request for A/R Advance shall specify (i) the requested A/R Advance Date; (ii) the amount of the requested A/R Advance; and (iii) if applicable, the amount of the requested A/R Advance that should be applied to the Outstanding Product Advances. Customer may deliver a Request for A/R Advance via facsimile. Any Request for A/R Advance delivered to IBM Credit shall be irrevocable.

(B) Subject to the terms and conditions of this Agreement, on the A/R Advance Date specified in a Request for A/R Advance, IBM Credit shall make the principal amount of each A/R Advance available to the Customer in immediately available

funds to an account maintained by Customer (or in the case of a Takeout Advance, as directed by Customer). If IBM Credit is making an A/R Advance hereunder on a day on which Customer is to repay all or any part of an Outstanding Advance (or any other amount owing hereunder), IBM Credit shall apply the proceeds of the A/R Advance to such repayment and only an amount equal to the difference, if any, between the amount of the A/R Advance and the amount being repaid shall be made available to Customer as provided in the immediately preceding sentence.

(C) Each A/R Advance shall accrue a finance charge on the unpaid principal amount thereof, at a per annum rate equal to the lesser of (a) the finance charge set forth in Attachment A to this Agreement under the caption "A/R Finance Charge" for such type of A/R Advance, and (b) the highest rate from time to time permitted by applicable law. If it is determined that amounts received from the Customer were in excess of such highest rate, then the amount representing such excess shall be considered reductions to principal of Advances.

(D) Unless otherwise due and payable at an earlier date, the unpaid principal amount of each A/R Advance, other than a Takeout Advance, shall be due and payable on the applicable Common Due Date. Unless otherwise notified by Customer in writing prior to the day the principal amount of any Advance becomes due and payable, the Customer shall be deemed to have provided IBM Credit with a Request for A/R

Advance requesting a WCO Advance on the day such principal amount is due and payable in an amount equal to the unpaid principal amount of the WCO Advance so due. Subject to the terms and conditions of this Agreement, the principal amount of such Advance shall automatically renew for an additional WCO Advance Term. Notwithstanding any other provision of this Agreement, a Takeout Advance may only be requested on the closing date and such Takeout Advance shall be limited to an amount sufficient to discharge the indebtedness that is the subject of a Takeout Advance. Unless otherwise agreed in writing, a Takeout Advance shall be due one hundred eighty (180) days from the date of the Takeout Advance.

2.4. Finance and Other Charges. (A) Finance charges shall be calculated by multiplying the applicable Delinquency Fee Rate, Product Advance Charge or A/R Finance Charge provided for in this Agreement by Customer's applicable Average Daily Balance. The Delinquency Fee Rate, the Product Advance Charge and the various A/R Finance Charges provided for in this Agreement are each computed on the basis of an actual day, 360 day year.

(B) The Customer hereby agrees to pay to IBM Credit the charges set forth as "Other Charges" in Attachment A. The Customer also agrees to pay IBM Credit additional charges for any returned items of payment received by Customer. The Customer hereby acknowledges that any such charges are not interest but that such charges, if unpaid, will constitute part of the Outstanding Advances.

(C) The finance charges and Other Charges owed under this Agreement, and any charges hereafter agreed to in writing by the parties, will be set forth in

IBM Credit's monthly billing statement to Customer and shall be payable on the 15th day of each month, or IBM Credit may, in its sole discretion, add unpaid finance charges and Other Charges to the Customer's outstanding Advances.

(D) If any amount owed under this Agreement, including, without limitation, any Advance, is not paid when due (whether at maturity, by acceleration or otherwise), the unpaid amount thereof will bear a late charge from and including its due date to but not including the date IBM Credit receives payment thereof, at a per annum rate equal to the lesser of (a) the amount set forth in Attachment A to this Agreement as the "Delinquency Fee Rate" and (b) the highest rate from time to time permitted by applicable law. In addition, if any Shortfall Amount shall not be paid when due pursuant to Section 2.6 hereof, Customer shall pay IBM Credit an additional late charge equal to the product of the Shortfall Amount multiplied by thirty (30) basis points. If it is determined that amounts received from Customer were in excess of such highest rate, then the amount representing such excess shall be considered reductions to principal of Advances.

2.5. Statements Regarding Customer's Account. IBM Credit will send statements of each transaction hereunder as well as monthly billing statements to Customer with respect to Advances and other charges due on Customer's account with IBM Credit. Each statement of transaction and monthly billing statement shall be deemed, absent manifest error, to be correct and shall constitute an account stated with respect to each transaction or amount described therein unless within seven (7) calendar

days after such statement of transaction or billing statement is received by Customer, Customer provides IBM Credit written notice objecting that such amount or transaction is incorrectly described therein and specifying the error(s), if any, contained therein. IBM Credit may at any time adjust such statements of transaction or billing statements to comply with applicable law and this Agreement.

2.6. Shortfall. If, on any date, the Outstanding Advances shall exceed the Maximum Advance Amount (such excess, the "Shortfall Amount"), then the Customer shall on such date prepay the Outstanding Advances in an amount equal to such Shortfall Amount.

2.7. Application of Payments. The Customer hereby agrees that all checks and other instruments delivered to IBM Credit on account of Customer's Obligations shall constitute conditional payment until such items are actually collected by IBM Credit. The Customer waives the right to direct the application of any and all payments at any time or times hereafter received by IBM Credit on account of the Customer's Obligations. Customer agrees that IBM Credit shall have the continuing exclusive right to apply and reapply any and all such payments to Customer's Obligations in such manner as IBM Credit may deem advisable notwithstanding any entry by IBM Credit upon any of its books and records.

2.8. Prepayment and Reborrowing By Customer. (A) Customer may at any time prepay, without notice or penalty, in whole or in part amounts owed under this

Agreement. IBM Credit may apply payments made to it (whether by the Customer or otherwise) to pay finance charges and other amounts owing under this Agreement first and then to the principal amount owed by the Customer.

(B) Subject to the terms and conditions of this Agreement, any amount prepaid or repaid to IBM Credit in respect to the Outstanding Advances may be reborrowed by Customer in accordance with the provisions of this Agreement.

Section 3. LINE OF CREDIT
ADDITIONAL PROVISIONS

3.1. Ineligible Accounts. IBM Credit and Customer agree that IBM Credit shall have the sole right to determine eligibility of Accounts from an Account obligor for purposes of determining the Borrowing Base; however, without limiting such right, the following Accounts will be deemed to be ineligible for purposes of determining the Borrowing Base:

(A) Accounts created from the sale of goods and/or performance of services on non-standard terms or that allow for payment to be made more than forty-five (45) days from the date of such sale or performance of services;

(B) Accounts unpaid more than ninety (90) days from date of invoice;

(C) Accounts payable by an account debtor if fifty percent (50%) or more of the aggregate outstanding balance of all such Accounts remain unpaid for more than ninety (90) days from the date of invoice;

(D) Accounts payable by an account debtor that is an Affiliate of Customer or an officer, employee, agent, guarantor, stockholder or Affiliate of Customer or is related to or has common shareholders, officers or directors with Customer;

(E) Accounts arising from consignment sales;

(F) Except for state, local and United States government institutions and public educational institutions, accounts with respect to which the payment by the account debtor is conditional;

(G) Except for state, local and United States government institutions and public educational institutions, accounts with respect to which:

(i) the account debtor is not a commercial entity, or

(ii) the account debtor is not a resident of the United States, except to the extent that such account debtor is Ingram Micro, Inc. (Canada) or Merisel Canada Inc.

(H) Accounts payable by any account debtor to which Customer is or may become liable for goods sold or services rendered by such account debtor to

Customer;

(I) Accounts arising from the sale or lease of goods purchased for a personal, family or household purpose;

(J) Accounts arising from the sale or other disposition of goods that has been used for demonstration purposes or loaned or leased by the Customer to another party;

(K) Accounts which are progress payment accounts or contra accounts;

(L) Accounts upon which IBM Credit does not have a valid, perfected, first priority security interest;

(M) Accounts payable by an account debtor that is or Customer knows will become, subject to proceedings under United States Bankruptcy Law or other law for the relief of debtors;

(N) Accounts that are not payable in US dollars;

(O) Accounts payable by any account debtor that is a remarketer of computer hardware and software products and whose purchases of such products from Customer have been financed by another person who pays the proceeds of such financing directly to Customer on behalf of such obligor;

(P) Accounts arising from the sale or lease of goods which are billed to any account debtor but have not yet been shipped by Customer;

(Q) Accounts with respect to which Customer has permitted or agreed to any extension, compromise or settlement, or made any change or modification of any kind or nature, including, but not limited to, any change or modification to the terms relating thereto;

(R) Accounts that do not arise from undisputed bona fide transactions completed in accordance with the terms and conditions contained in the invoices, purchase orders and contracts relating thereto;

(S) Accounts that are discounted for the full payment term specified in Customer's terms and conditions with its account debtors, or for any longer period of time;

(T) Accounts on cash on delivery (C.O.D.) terms;

(U) Accounts arising from maintenance or service contracts that are billed in advance of full performance of service;

(V) Accounts arising from bartered transactions;

(W) Accounts arising from incentive payments, rebates, discounts, credits, and refunds from a supplier; and

(X) Any and all other Accounts that IBM Credit deems, in its sole and absolute discretion, to be ineligible.

The aggregate of all Accounts that are not ineligible Accounts shall hereinafter be referred to as "Eligible Accounts".

3.2. Reimbursement for Charges. Customer agrees to pay for all costs and expenses of Customer's bank in respect to collection of checks and other items of payment, all fees relating to the use and maintenance of the Lockbox and the Special Account (each as defined in Section 3.3) and with respect to remittances of proceeds of the Advances hereunder.

3.3. Lockbox and Special Account. Customer shall establish and maintain lockbox(es) (each, a "Lockbox") at the address(es) set forth in Attachment A with the financial institution(s) listed in Attachment A (each, a "Bank") pursuant to an agreement between the Customer and each Bank in form and substance satisfactory to IBM Credit. Customer shall also establish and maintain a deposit account which shall contain only proceeds of Customer's Accounts ("Special Account") with each Bank. Customer shall enter into and maintain a contingent blocked account agreement with each Bank for the benefit of IBM Credit in form and substance satisfactory to IBM Credit pursuant to which, among other things, such Bank shall agree that, upon notice from IBM Credit, disbursements from the Special Account shall be made only as IBM Credit shall direct.

3.4. Collections. Customer shall instruct all Account obligors to remit payments directly to a Lockbox. In addition, Customer shall have

such instruction printed in conspicuous type on all invoices. Customer shall instruct such Bank to deposit all remittances to such Bank's Lockbox into its Special Account. Customer further agrees that it shall not deposit or permit any deposits of funds other than remittances paid in respect of the Accounts into the Special Account(s) or permit any commingling of funds with such remittances in any Lockbox or Special Account. Without limiting the Customer's foregoing obligations, if, at any time, Customer receives a remittance directly from an account obligor, then Customer shall make entries on its books and records in a manner that shall reasonably identify such remittances and shall keep a separate account on its record books of all remittances so received and deposit the same into a Special Account. Until so deposited into the Special Account, Customer shall keep all remittances received in respect of Accounts separate and apart from Customer's other property so that they are capable of identification as the proceeds of Accounts in which IBM Credit has a security interest.

3.5. Application of Remittances and Credits. Customer shall apply all remittances against the aggregate of Customer's outstanding Accounts no later than the end of the Business Day on which such remittances are deposited into the Special Account. Customer also agrees to apply each remittance against its respective Account no later than three (3) Business Days from the date such remittance is deposited into the Special Account. In addition, Customer shall

promptly apply any credits owing in respect to any Account when due.

3.6. Power of Attorney. Customer hereby irrevocably appoints IBM Credit, with full power of substitution, as its true and lawful attorney-in-fact with full power, in good faith and in compliance with commercially reasonable standards, in the discretion of IBM Credit, to:

(A) sign the name of Customer on any document or instrument that IBM Credit shall deem necessary or appropriate to perfect and maintain perfected the security interest in the Collateral contemplated under this Agreement and the Other Agreements;

(B) endorse the name of Customer upon any of the items of payment of proceeds and deposit the same in the account of IBM Credit for application to the Obligation; and

upon the occurrence and during the continuance of an Event of Default as defined in Section 9.1 hereof:

(C) demand payment, enforce payment and otherwise exercise all Customer's rights and remedies with respect to the collection of any Accounts;

(D) settle, adjust, compromise, extend or renew any Accounts;

(E) settle, adjust or compromise any legal proceedings brought to collect any Accounts;

(F) sell or assign any Accounts upon such terms, for such amounts and at such time or times as IBM Credit may deem advisable;

(G) discharge and release any Accounts;

(H) prepare, file and sign Customer's name on any Proof of Claim in Bankruptcy or similar document against any Account obligor;

(I) prepare, file and sign Customer's name on any notice of lien, claim of mechanic's lien, assignment or satisfaction of lien or mechanic's lien, or similar document in connection with any Accounts;

(J) endorse the name of Customer upon any chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to any Account or goods pertaining thereto;

(K) endorse the name of Customer upon any of the items of payment of proceeds and deposit the same in the account of IBM Credit for application to the Obligation;

(L) sign the name of Customer to requests for verification of Accounts and notices thereof to Account obligors;

(M) sign the name of Customer on any document or instrument that IBM Credit shall deem necessary or appropriate to enforce any and all remedies it may have under this Agreement, at law or otherwise; and

(N) make, settle and adjust claims under the Policies with respect to the Collateral and endorse Customer's name on any check, draft, instrument or other item of payment of the proceeds of the Policies with respect to the Collateral; and

(O) take control in any manner of any term of payment or proceeds and for such purpose to notify the postal authorities to change the address for delivery of mail addressed to Customer to such address as IBM Credit may designate.

The power of attorney granted by this Section is for value and coupled with an interest and is irrevocable so long as this Agreement is in effect or any Obligations remain outstanding. Nothing done by IBM Credit pursuant to such power of attorney will reduce any of Customer's Obligations other than Customer's payment Obligations to the extent IBM Credit has received monies.

Section 4. SECURITY -- COLLATERAL

4.1 Grant. To secure Customer's full and punctual payment and performance of the Obligations when due (whether at the stated maturity, by acceleration or otherwise), Customer hereby grants IBM Credit a security interest in all of Customer's right, title and interest in and to the following property, whether now owned or hereafter acquired or existing and wherever located:

(A) all inventory and equipment, and all parts thereof, attachments, accessories and accessions thereto, products thereof and documents therefor;

(B) all accounts, contract rights, chattel paper, instruments, deposit accounts, obligations of any kind owing to Customer, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services and all books, invoices, documents and other records in any form evidencing or relating to any of the foregoing;

(C) general intangibles, excluding patents, trademarks, trade names and copyrights, but including the right of Customer to receive payment in respect of patents, trademarks, trade names and copyrights;

(D) all rights now or hereafter existing in and to all mortgages, security agreements, leases or other contracts securing or otherwise relating to any of the foregoing; and

(E) all substitutions and replacements for all of the foregoing, all proceeds of all of the foregoing and, to the extent not otherwise included, all payments under insurance or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing.

All of the above assets shall be collectively defined herein as the

"Collateral".

Customer covenants and agrees with IBM Credit that: (a) the security constituted to by this Agreement is in addition to any other security from time to time held by IBM Credit and (b) the security hereby created is a continuing security interest and will cover and secure the payment of all Obligations both present and future of Customer to IBM Credit pursuant to this Agreement and the Other Agreements.

4.2. Further Assurances. Customer shall, from time to time upon the request of IBM Credit, execute and deliver to IBM Credit, or cause to be executed and delivered, at such time or times as IBM Credit may request such other and further documents, certificates and instruments that IBM Credit may deem necessary to perfect and maintain perfected IBM Credit's security interests in the Collateral and in order to fully consummate all of the transactions contemplated under this Agreement and the Other Agreements. Customer shall make appropriate entries on its books and records disclosing IBM Credit's security interests in the Collateral.

Section 5. CONDITIONS PRECEDENT

5.1. Conditions Precedent to the Effectiveness of This Agreement. The effectiveness of this Agreement is subject to the receipt by IBM Credit of, or waiver in writing by IBM Credit of compliance with, the following conditions precedent:

(A) this Agreement executed and delivered by Customer and IBM Credit;

(B) (i) copies of the resolutions of the Board of Directors of Customer certified by the secretary or assistant secretary of Customer authorizing the execution, delivery and performance of this Agreement and each Other Agreement executed and delivered in connection herewith, (ii) a certificate of the secretary or an assistant secretary of

Customer, in form and substance satisfactory to IBM Credit, certifying the names and true signatures of the officers of Customer authorized to sign this Agreement and the Other Agreements and (iii) copies of the articles of incorporation and by-laws of Customer certified by the secretary or assistant secretary of Customer;

(C) certificates dated as of a recent date from the Secretary of State or other appropriate authority evidencing the good standing of Customer in the jurisdiction of its organization and in each other jurisdiction where the ownership or lease of its property or the conduct of its business requires it to qualify to do business;

(D) copies of all approvals and consents from any Person, in each case in form and substance satisfactory to IBM Credit, which are required to enable Customer to authorize, or required in connection with, (a) the execution, delivery or performance of this Agreement and each of the Other Agreements, and (b) the legality, validity, binding effect or enforceability of this Agreement

and each of the Other Agreements;

(E) a lockbox agreement executed by Customer and each Bank, in form and substance satisfactory to IBM Credit;

(F) a contingent blocked account agreement executed by Customer and each Bank in form and substance satisfactory to IBM Credit;

(G) intercreditor agreements ("Intercreditor Agreement"), in form and substance satisfactory to IBM Credit, executed by each other secured creditor of Customer as set forth in Attachment A;

(H) a favorable opinion of counsel for Customer, satisfactory to IBM Credit, in substantially the form of Attachment I;

(I) UCC-1 financing statements for each jurisdiction reasonably requested by IBM Credit executed by Customer and each guarantor whose guaranty to IBM Credit is intended to be secured by a pledge of its assets;

(J) the statements, certificates, documents, instruments, financing statements, agreements and information set forth in Attachment A and Attachment B; and

(K) all such other statements, certificates, documents, instruments, financing statements, agreements and other information with respect to the matters contemplated by this Agreement as IBM Credit shall have reasonably requested.

5.2 Conditions to each Advance. No Advance will be required to be made or renewed by IBM Credit under this Agreement unless, on and as of the date of such Advance, the following statements shall be true to the satisfaction of IBM Credit:

(A) The representations and warranties contained in this Agreement or in any document, instrument or agreement executed in connection

herewith, are true and correct in all material respects on and as of the date of such Advance as though made on and as of such date;

(B) No event has occurred and is continuing or after giving effect to such Advance or the application of the proceeds thereof would result which would constitute a Default;

(C) No event has occurred and is continuing which could reasonably be expected to have a Material Adverse Effect;

(D) Both before and after giving effect to the making of such Advance, no Shortfall Amount exists.

Except as Customer has otherwise disclosed to IBM Credit in writing prior to

each request, each request (or deemed request pursuant to Section 2.3 (D)) for an Advance hereunder and the receipt (or deemed receipt) by the Customer of the proceeds of any Advance hereunder shall be deemed to be a representation and warranty by Customer that, as of and on the date of such Advance, the statements set forth in (A) through (D) above are true statements. No such disclosures by Customer to IBM Credit shall in any manner be deemed to satisfy the conditions precedent to each Advance that are set forth in this Section 5.2.

Section 6. REPRESENTATIONS AND WARRANTIES

To induce IBM Credit to enter into this Agreement, Customer represents and warrants to IBM Credit as follows:

6.1. Organization and Qualifications. Customer and each of its Subsidiaries (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) has the power and authority to own its properties and assets and to transact the businesses in which it presently is engaged and (iii) except as otherwise disclosed in Attachment B, is duly qualified and is authorized to do business and is in good standing in each jurisdiction where it presently is engaged in business and is required to be so qualified.

6.2. Rights in Collateral; Priority of Liens. Customer and each of its Subsidiaries owns the property granted by it respectively as Collateral to IBM Credit, free and clear of any and all Liens in favor of third parties except for the Liens otherwise permitted pursuant to Section 8.1. The Liens granted by the Customer and each of its Subsidiaries pursuant to this Agreement, the Guaranties and the Other Agreements in the Collateral constitute the valid and enforceable first, prior and perfected Liens on the Collateral, except to the extent any Liens that are prior to IBM Credit's Liens are (i) the subject of an Intercreditor Agreement or (ii) Purchase Money Security Interests in product of a brand that is not financed by IBM Credit.

6.3. No Conflicts. The execution, delivery and performance by Customer of this Agreement and each of the Other Agreements (i) are within its corporate power; (ii) are duly authorized by all necessary corporate action; (iii) are not in contravention in any respect of any Requirement of Law or any indenture, contract, lease, agreement, instrument or other

commitment to which it is a party or by which it or any of its properties are bound; (iv) do not require the consent, registration or approval of any Governmental Authority or any other Person (except such as have been duly obtained, made or given, and are in full force and effect); and (v) will not, except as contemplated herein, result in the imposition of any Liens upon any of its properties.

6.4. Enforceability. This Agreement and all of the other documents executed and delivered by the Customer in connection herewith are the legal, valid and binding obligations of Customer, and are enforceable in accordance with their terms, except as such enforceability may be limited by the effect of any

applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws affecting creditors' rights generally or the general equitable principles relating thereto.

6.5. Locations of Offices, Records and Inventory. The address of the principal place of business and chief executive office of Customer is as set forth on Attachment B or on any notice provided by Customer to IBM Credit pursuant to Section 7.7(C) of this Agreement. The books and records of Customer, and all of its chattel paper (other than the chattel paper delivered to IBM Credit pursuant to Section 7.14(E)) and records of Accounts, are maintained exclusively at such location. There is no jurisdiction in which Customer has any assets, equipment or inventory (except for vehicles and inventory in transit for processing) other than those jurisdictions identified on Attachment B or on any notice provided by Customer to IBM Credit pursuant to Section 7.7(C) of this Agreement. Attachment B, as amended from time to time by any notice provided by Customer to IBM Credit in accordance with Section 7.7(C) of this Agreement, also contains a complete list of the legal names and addresses of each warehouse at which the Customer's inventory is stored. None of the receipts received by Customer from any warehouseman states that the goods covered thereby are to be delivered to bearer or to the order of a named person or to a named person and such named person's assigns.

6.6. Fictitious Business Names. Customer has not used any corporate or fictitious name during the five (5) years preceding the date of this Agreement, other than those listed on Attachment B.

6.7. Organization. All of the outstanding capital stock of Customer has been validly issued, is fully paid and nonassessable.

6.8. No Judgments or Litigation. Except as set forth on Attachment B, no judgments, orders, writs or decrees are outstanding against Customer nor is there now pending or, to the best of Customer's knowledge after due inquiry, threatened, any litigation, contested claim, investigation, arbitration, or governmental proceeding by or against Customer.

6.9. No Defaults. Except as set forth on Attachment B, the Customer is not in default under any term of any indenture, contract, lease, agreement, instrument or other commitment to which it is a party or by which it, or any of its properties are bound. Customer has no knowledge of any dispute regarding any such indenture, contract, lease, agreement,

instrument or other commitment. No Default or Event of Default has occurred and is continuing.

6.10. Labor Matters. Except as set forth on any notice provided by Customer to IBM Credit pursuant to Section 7.1(F) of this Agreement, the Customer is not a party to any labor dispute. There are no strikes or walkouts or labor controversies pending or threatened against the Customer which could reasonably be expected to have a Material Adverse Effect.

6.11. Compliance with Law. Customer has not violated or failed to comply with any Requirement of Law or any requirement of any self regulatory organization.

6.12. ERISA. Each "employee benefit plan", "employee pension benefit plan", "defined benefit plan", or "multi-employer benefit plan", which Customer has established, maintained, or to which it is required to contribute (collectively, the "Plans") is in compliance with all applicable provisions of ERISA and the Code and the rules and regulations thereunder as well as the Plan's terms and conditions. There have been no "prohibited transactions" and no "reportable event" has occurred within the last 60 months with respect to any Plan. Customer has no "multi- employer benefit plan". As used in this Agreement the terms "employee benefit plan", "employee pension benefit plan", "defined benefit plan", and "multi-employer benefit plan" have the respective meanings assigned to them in Section 3 of ERISA and any applicable rules and regulations thereunder. The Customer has not incurred any "accumulated funding deficiency" within the meaning of ERISA or incurred any liability to the Pension Benefit Guaranty Corporation (the "PBGC") in connection with a Plan (other than for premiums due in the ordinary course).

6.13. Compliance with Environmental Laws. Except as otherwise disclosed in Attachment B:

(A) The Customer has obtained all government approvals required with respect to the operation of their businesses under any Environmental Law.

(B) (i) the Customer has not generated, transported or disposed of any Hazardous Substance; (ii) the Customer is not currently generating, transporting or disposing of any Hazardous Substance; (iii) the Customer has no knowledge that (a) any of its real property (whether owned, leased, or otherwise directly or indirectly controlled) has been used for the disposal of or has been contaminated by any Hazardous Substance, or (b) any of its business operations have contaminated lands or waters of others with any Hazardous Substance; (iv) the Customer and its respective assets are not subject to any Environmental Liability and, to the best of the Customer's knowledge, any threatened Environmental Liability; (v) the Customer has not received any notice of or otherwise learned of any governmental investigation evaluating whether any remedial action is necessary to respond to a release or threatened release of any Hazardous Substance for which the Customer may be liable; (vi) the Customer is not in violation of any Environmental Law; (vii) there are no proceedings or investigations pending against Customer with

respect to any violation or alleged violation of any Environmental Law; provided however, that the parties acknowledge that any generation, transportation, use, storage and disposal of certain such Hazardous Substances in Customer's or its Subsidiaries' business shall be excluded from representations (i) and (ii) above, provided, further, that Customer is at all times generating, transporting, utilizing, storing and disposing such Hazardous Substances in accordance with all applicable Environmental Laws and in a manner designed to minimize the risk of any spill, contamination, release or discharge of Hazardous Substances other than as authorized by Environmental Laws.

6.14. Intellectual Property. Customer possesses such assets, licenses, patents, patent applications, copyrights, service marks, trademarks, trade names and trade secrets and all rights and other property relating thereto or arising therefrom ("Intellectual Property") as are necessary or advisable to continue to conduct its present and proposed business activities.

6.15. Licenses and Permits. Customer has obtained and holds in full force and effect all franchises, licenses, leases, permits, certificates, authorizations, qualifications, easements, rights of way and other rights and approvals which are necessary for the operation of its businesses as presently conducted. Customer is not in violation of the terms of any such franchise, license, lease, permit, certificate, authorization, qualification, easement, right of way, right or approval.

6.16. Investment Company. The Customer is not (i) an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended, (ii) a holding company or a subsidiary of a holding company, or an Affiliate of a holding company or of a subsidiary of a holding company, within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (iii) subject to any other law which purports to regulate or restrict its ability to borrow money or to consummate the transactions contemplated by this Agreement or the Other Agreements or to perform its obligations hereunder or thereunder.

6.17. Taxes and Tax Returns. Except as otherwise disclosed on Attachment B, Customer has timely filed all federal, state, and local tax returns and other reports which it is required by law to file, and has either duly paid all taxes, fees and other governmental charges indicated to be due on the basis of such reports and returns or pursuant to any assessment received by the Customer, or made provision for the payment thereof in accordance with GAAP. The charges and reserves on the books of the Customer in respect of taxes or other governmental charges are in accordance with GAAP. No tax liens have been filed against Customer or any of its property.

6.18. Status of Accounts. Each Account is based on an actual and bona fide sale and delivery of goods or rendition of services to customers, made by Customer, in the ordinary course of its business; the goods and inventory being sold and the Accounts created are its exclusive property and are not and shall not be subject to any Lien, consignment arrangement, encumbrance, security interest or financing statement whatsoever (other than Permitted Liens). The Customer's customers have

accepted goods or services and owe and are obligated to pay the full amounts stated in the invoices according to their terms. There are no proceedings or actions known to Customer which are pending or threatened against any Material Account Obligor (as defined in Section 7.14(B) of this Agreement) of any of the Accounts which could reasonably be expected to result in a material adverse effect on the obligor's ability to pay the full amounts due to Customer.

6.19. Affiliate/Subsidiary Transactions. Except as set forth on Attachment B, Customer is not a party to or bound by any agreement or arrangement (whether oral or written) to which any Affiliate or Subsidiary of the Customer is a party except (i) in the ordinary course of and pursuant to the reasonable requirements of Customer's business and (ii) upon fair and reasonable terms no less favorable to Customer than it could obtain in a comparable arm's-length transaction with an unaffiliated Person.

6.20. Accuracy and Completeness of Information. All factual information furnished by or on behalf of the Customer to IBM Credit or the Auditors for purposes of or in connection with this Agreement or any Other Agreement, or any transaction contemplated hereby or thereby is or will be true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information not misleading at such time.

6.21. Recording Taxes. All recording taxes, recording fees, filing fees and other charges payable in connection with the filing and recording of this Agreement have either been paid in full by Customer or arrangements for the payment of such amounts by Customer have been made to the satisfaction of IBM Credit.

6.22. Indebtedness. Customer (i) has no Indebtedness, other than Permitted Indebtedness; and (ii) has not guaranteed the obligations of any other Person (except as permitted by Section 8.4).

Section 7. AFFIRMATIVE COVENANTS

Until termination of this Agreement and the indefeasible payment and satisfaction of all Obligations:

7.1. Financial and Other Information. Customer shall cause to be furnished to IBM Credit the following information within the following time periods:

(A) as soon as available and in any event within ninety (90) days after the end of each fiscal year of Customer (i) audited Financial Statements (provided that, to the extent not otherwise audited by the Auditors, the consolidating Financial Statements may be unaudited) as of the close of the fiscal year and for the fiscal year, together with a comparison to the Financial Statements for the prior year, in each case accompanied by (a) either an opinion of the Auditors without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit or, if so qualified, an opinion which

shall be in scope and substance reasonably satisfactory to IBM Credit, (b) such Auditors' "Management Letter" to Customer, if any, (c) a written statement signed by the Auditors stating that in the course of the regular audit of the business of Customer and its consolidated Subsidiaries, which audit was conducted by the Auditors in accordance with generally accepted auditing

standards, the Auditors have not obtained any knowledge of the existence of any Default under any provision of this Agreement, or, if such Auditors shall have obtained from such examination any such knowledge, they shall disclose in such written statement the existence of the Default and the nature thereof, it being understood that such Auditors shall have no liability, directly or indirectly, to anyone for failure to obtain knowledge of any such Default; (ii) if composed, a narrative discussion of the consolidated financial condition and results of operations and the consolidated liquidity and capital resources of Customer and its Subsidiaries for such fiscal year prepared by the chief executive officer or chief financial officer of Customer; and (iii) a Compliance Certificate along with a schedule, in substantially the form of Attachment C hereto, of the calculations used in determining, as of the end of such fiscal year, whether Customer is in compliance with the financial covenants set forth in Attachment A;

(B) (1) As soon as available and in any event within forty-five (45) days after the end of each fiscal quarter of Customer (i) Financial Statements as of the end of such period and for the fiscal year to date, together with a comparison to the Financial Statements for the same periods in the prior year, all in reasonable detail and duly certified (subject to normal year-end audit adjustments and except for the absence of footnotes) by the chief executive officer or chief financial officer of Customer as having been prepared in accordance with GAAP; (ii) if composed, a narrative discussion of the consolidated financial condition and results of operations and the consolidated liquidity and capital resources of Customer and its Subsidiaries for such period and for the fiscal year to date prepared by the chief executive officer or chief financial officer of Customer; and (iii) a Compliance Certificate along with a schedule, in substantially the form of Attachment C hereto, of the calculations used in determining, as of the end of such fiscal quarter, whether Customer is in compliance with the financial covenants set forth in Attachment A;

(B) (2) As soon as available and in any event within twenty (20) days after the end of each fiscal month of customer, Financial Statements as of the end of such period and for the fiscal year to date, all in reasonable detail and duly certified (subject to normal year-end audit adjustments and except for the absence of footnotes) by the chief executive officer or chief financial officer of customer as having been prepared in accordance with GAAP;

(C) promptly after Customer obtains knowledge of (i) the occurrence of a Default or Event of Default, or (ii) the existence of any condition or event which would result in the Customer's failure to satisfy the conditions precedent to Advances set forth in Section 5, a certificate of the chief executive officer or chief financial officer of Customer specifying the nature thereof and the Customer's proposed response thereto, each in reasonable detail;

(D) promptly after Customer obtains knowledge of (i) any proceeding(s) being instituted or threatened to be instituted by or against Customer in any federal, state, local or foreign court or before any commission or other regulatory body (federal, state, local or foreign), or (ii) any actual or prospective change, development or event which, in any such case, has had or could reasonably be expected to have a Material Adverse Effect, a certificate of

the chief executive officer or chief financial officer of Customer specifying the nature thereof and the Customer's proposed response thereto, each in reasonable detail;

(E) promptly after Customer obtains knowledge that (i) any order, judgment or decree in excess of five hundred thousand dollars (\$500,000) shall have been entered against Customer or any of its properties or assets, or (ii) it has received any notification of a material violation of any Requirement of Law from any Governmental Authority, a certificate of the chief executive officer or chief financial officer of Customer specifying the nature thereof and the Customer's proposed response thereto, each in reasonable detail;

(F) promptly after Customer learns of any material labor dispute to which Customer may become a party, any strikes or walkouts relating to any of its plants or other facilities, and the expiration of any labor contract to which Customer is a party or by which it is bound, a certificate of the chief executive officer or chief financial officer of Customer specifying the nature thereof and the Customer's proposed response thereto, each in reasonable detail;

(G) within five (5) Business Days after request by IBM Credit, any written certificates, schedules and reports together with all supporting documents as IBM Credit may reasonably request relating to the Collateral or the Customer's or any guarantor's business affairs and financial condition;

(H) by the fifth (5th) day of each month, or as otherwise agreed in writing, a Collateral Management Report as of a date no earlier than the last day of the immediately preceding month;

(I) along with the Financial Statements set forth in Section 7.1(A) and (B), the name, address and phone number of each of its account debtors' primary contacts for each Account on the Accounts aging report contained in its most recent Collateral Management Report; and

(J) within five (5) days after the same are sent, copies of all financial statements and reports which Customer sends to its stockholders, and within five (5) days after the same are filed, copies of all financial statements and reports which Customer may make to, or file with, the Securities and Exchange Commission or any successor or analogous governmental authority.

Each certificate, schedule and report provided by Customer to IBM Credit shall be signed by an authorized officer of Customer, and which signature shall be deemed a representation and warranty that the information contained in such certificate, schedule or report is true and accurate in all material respects on the date as of which such

certificate, schedule or report is made and does not omit to state a material fact necessary in order to make the statements contained therein not misleading at such time. Each financial statement delivered pursuant to this Section 7.1 shall be prepared in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods.

7.2. Location of Collateral. The inventory, equipment and other tangible Collateral shall be kept or sold at the addresses as set forth on Attachment B or on any notice provided by Customer to IBM Credit in accordance with Section 7.7(C). Such locations shall be certified quarterly to IBM Credit substantially in the form of Attachment G.

7.3. Changes in Customer. Customer shall provide 30 days prior written notice to IBM Credit of any change in Customer's name, chief executive office and principal place of business, organization, form of ownership or corporate structure; provided, however, that Customer's compliance with this covenant shall not relieve it of any of its other obligations or any other provisions under this Agreement or any Other Agreement limiting actions of the type described in this Section.

7.4. Corporate Existence. Customer shall (A) maintain its corporate existence, maintain in full force and effect all licenses, bonds, franchises, leases and qualifications to do business, and all contracts and other rights necessary to the profitable conduct of its business, (B) continue in, and limit its operations to, the same general lines of business as presently conducted by it unless otherwise permitted in writing by IBM Credit and (C) comply with all Requirements of Law.

7.5. ERISA. Customer shall promptly notify IBM Credit in writing after it learns of the occurrence of any event which would constitute a "reportable event" under ERISA or any regulations thereunder with respect to any Plan, or that the PBGC has instituted or will institute proceedings to terminate any Plan. Notwithstanding the foregoing, the Customer shall have no obligation to notify IBM Credit as to any "reportable event" as to which the 30-day notice requirement of Section 4043(b) has been waived by the PBGC, until such time as such Customer is required to notify the PBGC of such reportable event. Such notification shall include a certificate of the chief financial officer of Customer setting forth details as to such "reportable event" and the action which Customer proposes to take with respect thereto, together with a copy of any notice of such "reportable event" which may be required to be filed with the PBGC, or any notice delivered by the PBGC evidencing its intent to institute such proceedings. Upon request of IBM Credit, Customer shall furnish, or cause the plan administrator to furnish, to IBM Credit the most recently filed annual report for each Plan.

7.6. Environmental Matters. (A) Customer and any other Person under Customer's control (including, without limitation, agents and Affiliates under such control) shall (i) comply with all Environmental Laws in all material respects, and (ii) undertake to use commercially reasonable efforts to prevent any unlawful release of any Hazardous Substance by Customer or such Person into, upon, over or under any property now or hereinafter owned, leased or otherwise controlled (directly or indirectly) by Customer.

(B) Customer shall notify IBM Credit, promptly upon its obtaining knowledge of (i) any non-routine proceeding or investigation by any Governmental

Authority with respect to the presence of any Hazardous Substances on or in any property now or hereinafter owned, leased or otherwise controlled (directly or indirectly) by Customer, (ii) all claims made or threatened by any Person or Governmental Authority against Customer or any of Customer's assets relating to any loss or injury resulting from any Hazardous Substance, (iii) Customer's discovery of evidence of unlawful disposal of or environmental contamination by any Hazardous Substance on any property now or hereinafter owned, leased or otherwise controlled (directly or indirectly) by Customer, and (iv) any occurrence or condition which could constitute a violation of any Environmental Law.

7.7. Collateral Books and Records/Collateral Audit. (A) Customer agrees to maintain books and records pertaining to the Collateral in such detail, form and scope as is consistent with good business practice, and agrees that such books and records will reflect IBM Credit's interest in the Accounts.

(B) Customer agrees that IBM Credit or its agents may enter upon the premises of Customer at any time and from time to time, during normal business hours and upon reasonable notice under the circumstances, and at any time at all on and after the occurrence and during the continuance of an Event of Default for the purposes of (i) inspecting the Collateral, (ii) inspecting and/or copying (at Customer's expense) any and all records pertaining thereto, (iii) discussing the affairs, finances and business of Customer with any officers, employees and directors of Customer or with the Auditors and (iv) verifying Eligible Accounts and other Collateral. Customer also agrees to provide IBM Credit with such reasonable information and documentation that IBM Credit deems necessary to conduct the foregoing activities, including, without limitation, reasonably requested samplings of purchase orders, invoices and evidences of delivery or other performance. Upon the occurrence and during the continuance of an Event of Default which has not been waived by IBM Credit in writing, IBM Credit may conduct any of the foregoing activities in any manner that IBM Credit deems reasonably necessary.

(C) Customer shall give IBM Credit thirty (30) days prior written notice of any change in the location of any Collateral, the location of its books and records or in the location of its chief executive office or place of business from the locations specified in Attachment B, and will execute in advance of such change and cause to be filed and/or delivered to IBM Credit any financing statements, landlord or other lien waivers, or other documents reasonably required by IBM Credit, all in form and substance reasonably satisfactory to IBM Credit.

(D) Customer agrees to advise IBM Credit promptly, in reasonably sufficient detail, of any substantial change relating to the type, quantity or quality of the Collateral, or any event which could reasonably be expected to have a Material Adverse Effect on the value of the Collateral or on the security interests granted to IBM Credit therein.

7.8. Insurance; Casualty Loss. (A) Customer will maintain with financially sound and reputable insurance companies: (i) insurance on its properties, (ii)

public liability insurance against claims for personal injury or death as a result of the use of any products sold by it and (iii) insurance coverage against other business risks with case, in at least such amounts and against at least such risks as are usually and prudently insured against in the same general geographical area by companies of established repute engaged in the same or a similar business. Customer will furnish to IBM Credit, upon its written request, the insurance certificates with respect to such insurance. In addition, all Policies so maintained with respect to this Section 7.8 (i) and (ii) are to name IBM Credit as an additional insured as its interest may appear.

(B) Without limiting the generality of the foregoing, Customer shall keep and maintain, at its sole expense, the Collateral insured for an amount not less than the amount set forth on Attachment A from time to time opposite the caption "Collateral Insurance Amount" against all loss or damage under an "all risk" Policy in companies mutually acceptable to IBM Credit and Customer, with a lender's loss payable endorsement or mortgagee clause in form and substance reasonably satisfactory to IBM Credit designating that any loss payable thereunder with respect to such Collateral shall be payable to IBM Credit. Upon receipt of proceeds by IBM Credit the same shall be applied on account of the Customer's Outstanding Product Advances first, then to the Outstanding A/R Advances. Customer agrees to instruct each insurer to give IBM Credit, by endorsement upon the Policy issued by it or by independent instruments furnished to IBM Credit, at least ten (10) days written notice before any Policy shall be altered or cancelled and that no act or default of Customer or any other person shall affect the right of IBM Credit to recover under the Policies. Customer hereby agrees to direct all insurers under the Policies to pay all proceeds with respect to the Collateral directly to IBM Credit. If Customer fails to pay any cost, charges or premiums, or if Customer fails to insure the Collateral, IBM Credit may pay such costs, charges or premiums. Any amounts paid by IBM Credit hereunder shall be considered an additional debt owed by Customer to IBM Credit and are due and payable immediately upon receipt of an invoice by IBM Credit.

7.9. Taxes. Customer agrees to pay, when due, all taxes lawfully levied or assessed against Customer or any of the Collateral before any penalty or interest accrues thereon unless such taxes are being contested, in good faith, by appropriate proceedings promptly instituted and diligently conducted and an adequate reserve or other appropriate provisions have been made therefor as required in order to be in conformity with GAAP and an adverse determination in such proceedings could not reasonably be expected to have a Material Adverse Effect.

7.10. Compliance With Laws. Customer agrees to comply with all Requirements of Law applicable to the Collateral or any part thereof, or to the operation of its business.

7.11. Fiscal Year. Customer agrees to maintain its fiscal year as a year ending December 31 unless Customer provides IBM Credit at least thirty (30) days prior written notice of any change thereof.

7.12. Intellectual Property. Customer shall do and cause to be done all things

necessary to preserve and keep in full force and effect all registrations of Intellectual Property which the failure to do or cause to be done could reasonably be expected to have a Material Adverse Effect.

7.13. Maintenance of Property. Customer shall maintain all of its material properties (business and otherwise) in good condition and repair (ordinary wear and tear excepted) and pay and discharge all costs of repair and maintenance thereof and all rental and mortgage payments and related charges pertaining thereto and not commit or permit any waste with respect to any of its material properties.

7.14. Collateral. Customer shall:

(A) if from time to time reasonably required by IBM Credit, provide IBM Credit with access to copies of all invoices, delivery evidences and other such documents relating to each Account;

(B) promptly upon Customer's obtaining knowledge thereof, furnish to and inform IBM Credit of all material adverse information relating to the financial condition of any Account obligor whose outstanding obligations to Customer constitute two percent (2%) or more of the Accounts at such time (a "Material Account Obligor");

(C) promptly upon Customer's learning thereof, notify IBM Credit in writing of any event which would cause any obligation of a Material Account Obligor to become an Ineligible Account;

(D) keep all goods rejected or returned by any account debtor and all goods repossessed or stopped in transit by Customer from any account debtor segregated from other property of Customer, holding the same in trust for IBM Credit until Customer applies a credit against such account debtor's outstanding obligations to Customer or sells such goods in the ordinary course of business, whichever occurs earlier;

(E) stamp or otherwise mark chattel paper and instruments now owned or hereafter acquired by it in conspicuous type to show that the same are subject to IBM Credit's security interest and immediately thereafter deliver or cause such chattel paper and instruments to be delivered to IBM Credit or any agent designated by IBM Credit with appropriate endorsements and assignments to vest title and possession in IBM Credit;

(F) use commercially reasonable efforts to collect all Accounts owed;

(G) promptly notify IBM Credit of any loss, theft or destruction of or damage to any of the Collateral. Customer shall diligently file and prosecute its claim for any award or payment in connection with any such loss, theft, destruction of or damage to Collateral. Customer

shall, upon demand of IBM Credit, make, execute and deliver any assignments and other instruments sufficient for the purpose of assigning any such award or

payment to IBM Credit, free of any encumbrances of any kind whatsoever;

(H) consistent with reasonable commercial practice, observe and perform all matters and things necessary or expedient to be observed or performed under or by virtue of any lease, license, concession or franchise forming part of the Collateral in order to preserve, protect and maintain all the rights of IBM Credit thereunder;

(I) consistent with reasonable commercial practice, maintain, use and operate the Collateral and carry on and conduct its business in a proper and efficient manner so as to preserve and protect the Collateral and the earnings, incomes, rents, issues and profits thereof; and

(J) at any time and from time to time, upon the request of IBM Credit, and at the sole expense of Customer, Customer will promptly and duly execute and deliver such further instruments and documents and take such further action as IBM Credit may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the security interests granted herein and the payment of any and all recording taxes and filing fees in connection therewith.

7.15. Subsidiaries. IBM Credit may require that any Subsidiaries of Customer become parties to this Agreement or any other agreement executed in connection with this Agreement as guarantors or sureties.

Section 8. NEGATIVE COVENANTS

Until termination of this Agreement and the indefeasible payment and satisfaction of all Obligations due hereunder:

8.1. Liens. The Customer will not, directly or indirectly mortgage, assign, pledge, transfer, create, incur, assume, permit to exist or otherwise permit any Lien or judgment to exist on any of its property, assets, revenues or goods, whether real, personal or mixed, whether now owned or hereafter acquired, except for Permitted Liens.

8.2. Disposition of Assets. The Customer will not, directly or indirectly, sell, lease, assign, transfer or otherwise dispose of any assets other than (i) sales of inventory in the ordinary course of business and short term rental of inventory as demonstrations in amounts not material to Customer, and (ii) voluntary dispositions of individual assets and obsolete or worn out property, other than patents, trademarks, trade names and copyrights, in the ordinary course of business, provided, that the aggregate book value of all such assets and property so sold or disposed of under this section 8.2 (ii) in any fiscal year shall not exceed 5% of the consolidated assets of the Customer as of the beginning of such fiscal year.

8.3. Corporate Changes. The Customer will not, without the prior written

consent of IBM Credit, directly or indirectly, merge, consolidate, liquidate, dissolve or enter into or engage in any operation or activity materially different from that presently being conducted by Customer; it being understood that the manufacture and/or sale of "Apple clones" pursuant to the Macintosh operating system license in favor of Customer shall not constitute an operation or activity materially different from that presently being conducted by Customer.

8.4. Guaranties. The Customer will not, directly or indirectly, assume, guaranty, endorse, or otherwise become liable upon the obligations of any other Person, except (i) by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (ii) by the giving of indemnities in connection with the sale of inventory or other asset dispositions permitted hereunder, (iii) for guaranties in favor of IBM Credit, or (iv) for Permitted Indebtedness.

8.5. Restricted Payments. The Customer will not, directly or indirectly: (i) declare or pay any dividend (other than dividends payable solely in common stock of Customer) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any shares of any class of capital stock of Customer or any warrants, options or rights to purchase any such capital stock, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of Customer, provided, however that Customer may purchase for cash from directors, officers and employees of Customer shares of capital stock in connection with the termination of any such director's, officer's or employee's service to Customer to the extent such purchases are consistent with past practices (which may not be changed without IBM Credit's prior consent) and are in an aggregate amount not exceeding five hundred thousand dollars (\$500,000) per annum; or (ii) make any optional payment or prepayment on or redemption (including, without limitation, by making payments to a sinking or analogous fund) or repurchase of any Indebtedness (other than the Obligations).

8.6. Investments. The Customer will not, directly or indirectly, make, maintain or acquire any Investment in any Person other than:

(A) interest bearing deposit accounts (including certificates of deposit) which are insured by the Federal Deposit Insurance Corporation ("FDIC") or a similar federal insurance program;

(B) direct obligations of the government of the United States of America or any agency or instrumentality thereof or obligations guaranteed as to principal and interest by the United States of America or any agency thereof;

(C) stock or obligations issued to Customer in settlement of claims against others by reason of an event of bankruptcy or a

composition or the readjustment of debt or a reorganization of any debtor of Customer; and

(D) commercial paper of any corporation organized under the laws of any State of the United States or any bank organized or licensed to conduct a banking business under the laws of the United States or any State thereof having the short-term highest rating then given by Moody's Investor's Services, Inc. or Standard & Poor's Corporation.

8.7. Affiliate/Subsidiary Transactions. The Customer will not, directly or indirectly, enter into any transaction with any Affiliate or Subsidiary, including, without limitation, the purchase, sale or exchange of property or the rendering of any service to any Affiliate or Subsidiary of Customer except in the ordinary course of business and pursuant to the reasonable requirements of Customer's business upon fair and reasonable terms no less favorable to Customer than could be obtained in a comparable arm's-length transaction with an unaffiliated Person.

8.8. ERISA. The Customer will not (A) terminate any Plan so as to incur a material liability to the PBGC, (B) permit any "prohibited transaction" involving any Plan (other than a "multi-employer benefit plan") which would subject the Customer to a material tax or penalty on "prohibited transactions" under the Code or ERISA, (C) fail to pay to any Plan any contribution which they are obligated to pay under the terms of such Plan, if such failure would result in a material "accumulated funding deficiency", whether or not waived, (D) allow or suffer to exist any occurrence and during the continuance of a "reportable event" or any other event or condition, which presents a material risk of termination by the PBGC of any Plan (other than a "multi-employer benefit plan"), or (E) fail to notify IBM Credit as required in Section 7.5. As used in this Agreement, the terms "accumulated funding deficiency" and "reportable event" shall have the respective meanings assigned to them in ERISA, and the term "prohibited transaction" shall have the meaning assigned to it in the Code and ERISA. For purposes of this Section 8.8, the terms material liability, tax, penalty, accumulated funding deficiency and risk of termination shall mean a liability, tax, penalty, accumulated funding deficiency or risk of termination which could reasonably be expected to have a Material Adverse Effect.

8.9. Additional Negative Pledges. Customer will not, directly or indirectly, create or otherwise cause or permit to exist or become effective any contractual obligation which may restrict or inhibit IBM Credit's rights or ability to sell or otherwise dispose of the Collateral or any part thereof after the occurrence and during the continuance of an Event of Default.

8.10. Storage of Collateral with Bailees and Warehousemen. Collateral shall not be stored with a bailee, warehouseman or similar party without the prior written consent of IBM Credit unless Customer will, concurrently with the delivery of such Collateral to such party, (i) cause such party to issue and deliver to IBM Credit, warehouse receipts in the name of IBM Credit evidencing the storage of such Collateral, or

(ii) cause such party to refrain from issuing any warehouse receipt evidencing the storage of such Collateral.

8.11. Use of Proceeds. The Customer shall not use any portion of the proceeds of any Advances other than to acquire Products from Authorized Suppliers and for its general working capital requirements.

8.12. Accounts. The Customer shall not permit or agree to any extension, compromise or settlement or make any change or modification of any kind or nature with respect to any Account, including any of the terms relating thereto, which would affect IBM Credit's ability to collect payment on any Account in whole or in part, except for such extensions, compromises or settlements made by Customer in the ordinary course of its business, provided, however, that the aggregate amount of such extensions, compromises or settlements does not exceed five percent (5%) of the Customer's Accounts at any time.

8.13. Indebtedness. The Customer will not create, incur, assume or permit to exist any Indebtedness, except for Permitted Indebtedness.

8.14. Loans. The Customer will not make any loans, advances, contributions or payments of money or goods to any Subsidiary, Affiliate or parent corporation or to any officer, director or stockholder of Customer or of any such corporation (except for compensation for personal services actually rendered), except for transactions expressly authorized in this Agreement, provided, however, that Customer may make loans to its officers in an aggregate outstanding amount at any time not exceeding seven hundred fifty thousand dollars (\$750,000), and to its Subsidiaries in an aggregate outstanding amount at any time not exceeding five hundred thousand dollars (\$500,000).

Section 9. DEFAULT

9.1. Event of Default. Any one or more of the following events shall constitute an Event of Default by the Customer under this Agreement and the Other Agreements:

(A) The failure to make timely payment of the Obligations or any part thereof, within the earlier of (i) one Business Day after receiving written notice that such payment has not been made when due in accordance with the terms of any documents evidencing the same and (ii) five days after such payment becomes due in accordance with the terms of any documents evidencing the same;

(B) (x) the failure to comply with or observe any term, covenant or agreement (other than pursuant to Sections 7.1 (C) (i), 8.1, 8.2 or 8.3) contained in this Agreement that is capable of being remedied by Customer if such failure shall remain unremedied for ten (10) days after written notice from IBM Credit thereof; provided that during such 10-day period Customer is diligently taking efforts necessary to remedy such failure or (y) Customer fails to comply with or observe any term, covenant or agreement contained in Sections 8.1, 8.2 or 8.3 that is capable of being remedied by Customer if such failure shall remain unremedied for 10 days; provided that during such 10-day period, Customer is diligently taking efforts necessary to remedy such failure;

(C) Customer fails to comply with or observe any term, covenant or agreement

contained in this Agreement other than as referred to in paragraphs (A) or (B);

(D) Any representation, warranty, statement, report or certificate made or delivered by or on behalf of Customer or any of its officers, employees or agents or by or on behalf of any Guarantor to IBM Credit was false in any material respect at the time when made or deemed made;

(E) The occurrence of any event or circumstance which could reasonably be expected to have a Material Adverse Effect;

(F) Customer, any Subsidiary or any Guarantor shall generally not pay its debts as such debts become due, become or otherwise declare itself insolvent, file a voluntary petition for bankruptcy protection, have filed against it any involuntary bankruptcy petition, cease to do business as a going concern, make any assignment for the benefit of creditors, or a custodian, receiver, trustee, liquidator, administrator or person with similar powers shall be appointed for Customer, any Subsidiary or any Guarantor or any of its respective properties or have any of its respective properties seized or attached, or take any action to authorize, or for the purpose of effectuating, the foregoing, provided, however, that Customer, any Subsidiary or any Guarantor shall have a period of forty-five (45) days within which to discharge any involuntary petition for bankruptcy or similar proceeding;

(G) The use of any funds borrowed from IBM Credit under this Agreement for any purpose other than as provided in this Agreement;

(H) The entry of any judgment against Customer or any Guarantor in an amount in excess of five hundred thousand dollars (\$500,00) and such judgment is not satisfied, dismissed, stayed or superseded by bond within thirty (30) days after the day of entry thereof (and in the event of a stay or supersedeas bond, such judgment is not discharged within thirty (30) days after termination of any such stay or bond) or such judgment is not fully covered by insurance as to which the insurance company has acknowledged its obligation to pay such judgment in full;

(I) The dissolution or liquidation of Customer or any Guarantor, or Customer or any Guarantor or its directors or stockholders shall take any action to dissolve or liquidate Customer or any Guarantor;

(J) Any "going concern" or like qualification or exception, or qualification arising out of the scope of an audit by an Auditor of his opinion relative to any Financial Statement delivered to IBM Credit under this Agreement;

(K) There issues a warrant of distress for any rent or taxes with respect to any premises occupied by Customer in or upon which the Collateral, or any part thereof, may at any time be situated and such warrant shall continue for a period of ten (10) Business Days from the date such warrant is issued;

(L) Customer suspends business;

(M) The occurrence of any event or condition which enables the holder of any Indebtedness arising in one or more related or unrelated transactions, in aggregate principal amount exceeding five hundred thousand dollars (\$500,00) to accelerate the maturity thereof or the failure of Customer to pay when due any such Indebtedness;

(N) Any guaranty of any or all of the Customer's Obligations executed by any guarantor in favor of IBM Credit, shall at any time for any reason cease to be in full force and effect or shall be declared to be null and void by a court of competent jurisdiction or the validity or enforceability thereof shall be contested or denied by any such guarantor, or any such guarantor shall deny that it has any further liability or obligation thereunder or any such guarantor shall fail to comply with or observe any of the terms, provisions or conditions contained in any such guaranty;

(O) Customer is in default under the material terms of any of the Other Agreements after the expiration of any applicable cure periods;

(P) There shall occur a "reportable event" with respect to any Plan, or any Plan shall be subject to termination proceedings (whether voluntary or involuntary) and there shall result from such "reportable event" or termination proceedings a liability of Customer to the PBGC which in the reasonable opinion of IBM Credit will have a Material Adverse Effect;

(Q) Any "person" (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) acquires a beneficial interest in 50% or more of the Voting Stock of Customer.

9.2. Acceleration. Upon the occurrence and during the continuance of an Event of Default which has not been waived in writing by IBM Credit, IBM Credit may, in its sole discretion, take any or all of the following actions, without prejudice to any other rights it may have at law or under this Agreement to enforce its claims against the Customer: (a) declare all Obligations to be immediately due and payable (except with respect to any Event of Default set forth in Section 9.1(E) hereof, in which case all Obligations shall automatically become immediately due and payable without the necessity of any notice or other demand) without presentment, demand, protest or any other action or obligation of IBM Credit; and

(b) immediately terminate the Line of Credit hereunder.

9.3. Remedies. (A) Upon the occurrence and during the continuance of any Event of Default which has not been waived in writing by IBM Credit, IBM Credit may exercise all rights and remedies of a secured party under the U.C.C. Without limiting the generality of the foregoing, IBM Credit may: (i) remove from any premises where same may be located any and all documents, instruments, files and records (including the copying of any computer records), and any receptacles or cabinets containing same, relating to the Accounts, or IBM Credit may use (at the expense of the Customer) such of the supplies or space of the

Customer at Customer's place of business or otherwise, as may be necessary to properly

administer and control the Accounts or the handling of collections and realizations thereon; (ii) bring suit, in the name of the Customer or IBM Credit and generally shall have all other rights respecting said Accounts, including without limitation the right to accelerate or extend the time of payment, settle, compromise, release in whole or in part any amounts owing on any Accounts and issue credits in the name of the Customer or IBM Credit; (iii) sell, assign and deliver the Accounts and any returned, reclaimed or repossessed merchandise, with or without advertisement, at public or private sale, for cash, on credit or otherwise, at IBM Credit's sole option and discretion, and IBM Credit may bid or become a purchaser at any such sale; and (iv) foreclose the security interests created pursuant to this Agreement by any available judicial procedure, or to take possession of any or all of the Collateral without judicial process and to enter any premises where any Collateral may be located for the purpose of taking possession of or removing the same.

(B) Upon the occurrence and during the continuance of any Event of Default which has not been waived in writing by IBM Credit, IBM Credit shall have the right to sell, lease, or otherwise dispose of all or any part of the Collateral, whether in its then condition or after further preparation or processing, in the name of Customer or IBM Credit, or in the name of such other party as IBM Credit may designate, either at public or private sale or at any broker's board, in lots or in bulk, for cash or for credit, with or without warranties or representations, and upon such other terms and conditions as IBM Credit in its sole discretion may deem advisable, and IBM Credit shall have the right to purchase at any such sale. If IBM Credit, in its sole discretion determines that any of the Collateral requires rebuilding, repairing, maintenance or preparation, IBM Credit shall have the right, at its option, to do such of the aforesaid as it deems necessary for the purpose of putting such Collateral in such saleable form as IBM Credit shall deem appropriate. The Customer hereby agrees that any disposition by IBM Credit of any Collateral pursuant to and in accordance with the terms of a repurchase agreement between IBM Credit and the manufacturer or any supplier (including any Authorized Supplier) of such Collateral constitutes a commercially reasonable sale. The Customer agrees, at the request of IBM Credit, to assemble the Collateral and to make it available to IBM Credit at places which IBM Credit shall select, whether at the premises of the Customer or elsewhere, and to make available to IBM Credit the premises and facilities of the Customer for the purpose of IBM Credit's taking possession of, removing or putting such Collateral in saleable form. If notice of intended disposition of any Collateral is required by law, it is agreed that ten (10) Business Days notice shall constitute reasonable notification.

(C) Unless expressly prohibited by the licensor thereof, if any, IBM Credit is hereby granted, upon the occurrence and during the continuance of any Event of Default which has not been waived in writing by IBM Credit, an irrevocable, non-exclusive license to use, assign, license or sublicense all computer software programs, data bases, processes and materials used by the Customer in its businesses or in connection with any of the Collateral.

(D) The net cash proceeds resulting from IBM Credit's exercise of any of the foregoing rights (after deducting all charges, costs and expenses, including reasonable attorneys' fees) shall be applied by IBM Credit to the payment of Customer's Obligations, whether due or to become due, in such order as IBM Credit may in its sole discretion elect. Customer shall remain liable to IBM Credit for any deficiencies, and IBM Credit in turn agrees to remit to Customer or its successors or assigns, any surplus resulting therefrom.

(E) The enumeration of the foregoing rights is not intended to be exhaustive and the exercise of any right shall not preclude the exercise of any other rights, all of which shall be cumulative.

9.4. Waiver. If IBM Credit seeks to take possession of any of the Collateral by any court process Customer hereby irrevocably waives to the extent permitted by applicable law any bonds, surety and security relating thereto required by any statute, court rule or otherwise as an incident to such possession and any demand for possession of the Collateral prior to the commencement of any suit or action to recover possession thereof. In addition, Customer waives to the extent permitted by applicable law all rights of set-off it may have against IBM Credit. Customer further waives to the extent permitted by applicable law presentment, demand and protest, and notices of non-payment, non-performance, any right of contribution, dishonor, and any other demands, and notices required by law.

Section 10. MISCELLANEOUS

10.1. Term; Termination. (A) This Agreement shall remain in force until the earlier of (i) the Termination Date, (ii) the date specified in a written notice by the Customer that they intend to terminate this Agreement which date shall be no less than 90 days following the receipt by IBM Credit of such written notice, and (iii) termination by IBM Credit after the occurrence and during the continuance of an Event of Default. Upon the date that this Agreement is terminated, all of Customer's Obligations shall be immediately due and payable in their entirety, even if they are not yet due under their terms.

(B) Until the indefeasible payment in full of all of Customer's Obligations, no termination of this Agreement or any of the Other Agreements shall in any way affect or impair the Customer's Obligations to IBM Credit including, without limitation, any transaction or event occurring prior to such termination, and IBM Credit's security interest in the Collateral.

10.2. Indemnification. The Customer hereby agrees to indemnify and hold harmless IBM Credit and each of its officers, directors, agents and assigns (collectively, the "Indemnified Persons") against all losses, claims, damages, liabilities or other expenses (including reasonable attorneys' fees and court costs now or hereinafter arising from the enforcement of this Agreement, the "Losses") to which any of them may become subject insofar as such Losses arise out of or are based upon any event, circumstance or condition (a) occurring or existing on or before the date of this Agreement relating to any financing

arrangements IBM Credit may from time to time have with (i) Customer, (ii) any Person

that shall be acquired by Customer or (iii) any Person that Customer may acquire all or substantially all of the assets of, or (b) directly or indirectly, relating to the execution, delivery or performance of this Agreement or the consummation of the transactions contemplated hereby or thereby or to any of the Collateral or to any act or omission of the Customer in connection therewith. Notwithstanding the foregoing, the Customer shall not be obligated to indemnify IBM Credit for any Losses incurred by IBM Credit which are a result of IBM Credit's gross negligence or willful misconduct. The indemnity provided herein shall survive the termination of this Agreement. IBM Credit shall notify Customer in writing promptly upon obtaining knowledge of any claim subject to indemnification pursuant to this paragraph 10.2 and shall use reasonable efforts to minimize the amount of any indemnified Loss.

10.3. Additional Obligations. IBM Credit, without waiving or releasing any Obligation or Default of the Customer, may perform any Obligations of the Customer that the Customer shall fail or refuse to perform and IBM Credit may, at any time or times hereafter, but shall be under no obligation so to do, pay, acquire or accept any assignment of any security interest, lien, encumbrance or claim against the Collateral asserted by any person. All sums paid by IBM Credit in performing in satisfaction or on account of the foregoing and any expenses, including reasonable attorney's fees, court costs, and other charges relating thereto, shall be a part of the Obligations, payable on demand and secured by the Collateral.

10.4. LIMITATION OF LIABILITY. NEITHER IBM CREDIT NOR ANY OTHER INDEMNIFIED PERSON SHALL HAVE ANY LIABILITY WITH RESPECT TO ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES SUFFERED BY CUSTOMER IN CONNECTION WITH THIS AGREEMENT, ANY OTHER AGREEMENT OR ANY CLAIMS IN ANY MANNER RELATED THERETO. NOR SHALL IBM CREDIT OR ANY OTHER INDEMNIFIED PERSON HAVE ANY LIABILITY TO CUSTOMER OR ANY OTHER PERSON FOR ANY ACTION TAKEN OR OMITTED TO BE TAKEN BY IT OR THEM HEREUNDER, EXCEPT FOR ITS OR THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

10.5. Alteration/Waiver. This Agreement and the Other Agreements may not be altered or amended except by an agreement in writing signed by the Customer and by IBM Credit. No delay or omission of IBM Credit to exercise any right or remedy hereunder, whether before or after the occurrence of any Event of Default, shall impair any such right or remedy or shall operate as a waiver thereof or as a waiver of any such Event of Default. In the event that IBM Credit at any time or from time to time dispenses with any one or more of the requirements specified in this Agreement or any of the Other Agreements, such dispensation may be revoked by IBM Credit at any time and shall not be deemed to constitute a waiver of any such requirement subsequent thereto. IBM Credit's failure at any time or times to require strict compliance and performance by the Customer of any undertakings, agreements, covenants, warranties and representations of this Agreement or any Other Agreement shall not waive, affect or diminish any right of IBM Credit thereafter to demand strict compliance and performance thereof. Any waiver by IBM Credit of any Default by the Customer

under this Agreement or any of the Other Agreements shall not waive or affect any other Default by the Customer under this Agreement or any of the Other Agreements, whether such Default is prior or subsequent to such other Default and whether of

the same or a different type. None of the undertakings, agreements, warranties, covenants, and representations of the Customer contained in this Agreement or the Other Agreements and no Default by the Customer shall be deemed waived by IBM Credit unless such waiver is in writing signed by an authorized representative of IBM Credit.

10.6. Severability. If any provision of this Agreement or the Other Agreements or the application thereof to any Person or circumstance is held invalid or unenforceable, the remainder of this Agreement and the Other Agreements and the application of such provision to other Persons or circumstances will not be affected thereby, the provisions of this Agreement and the Other Agreements being severable in any such instance.

10.7. One Loan. All Advances heretofore, now or at any time or times hereafter made by IBM Credit to the Customer under this Agreement or the Other Agreements shall constitute one loan secured by IBM Credit's security interests in the Collateral and by all other security interests, liens and encumbrances heretofore, now or from time to time hereafter granted by the Customer to IBM Credit or any assignor of IBM Credit.

10.8. Additional Collateral. All monies, reserves and proceeds received or collected by IBM Credit with respect to Accounts and other property of the Customer in possession of IBM Credit at any time or times hereafter are hereby pledged by Customer to IBM Credit as security for the payment of Customer's Obligations and shall be applied promptly by IBM Credit on account of the Customer's Obligations; provided, however, IBM Credit may release to the Customer such portions of such monies, reserves and proceeds as IBM Credit may from time to time determine, in its sole discretion.

10.9. No Merger or Novations. Neither the obtaining of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the Obligations of the Customer to IBM Credit secured by this Agreement and shall not operate as a merger of any covenant in this Agreement, and the acceptance of any payment or alternate security shall not constitute or create a novation and the obtaining of a judgment or judgments under a covenant herein contained shall not operate as a merger of that covenant or affect IBM Credit's rights under this Agreement.

10.10. Paragraph Titles. The Section titles used in this Agreement and the Other Agreements are for convenience only and do not define or limit the contents of any Section.

10.11. Binding Effect; Assignment. This Agreement and the Other Agreements shall be binding upon and inure to the benefit of IBM Credit and the Customer and their respective successors and assigns; provided, that the Customer shall

have no right to assign this Agreement or any of the Other Agreements without the prior written consent of IBM Credit.

10.12. Notices. Except as otherwise expressly provided in this Agreement, any notice required or desired to be served, given or delivered hereunder shall be in writing, and shall be deemed to have been validly served, given or delivered (A) upon receipt if deposited in

the United States mails, first class mail, with proper postage prepaid, (B) upon receipt of confirmation or answerback if sent by telecopy, or other similar facsimile transmission, (C) one Business Day after deposit with a reputable overnight courier with all charges prepaid, or (D) when delivered, if hand-delivered by messenger, all of which shall be properly addressed to the party to be notified and sent to the address or number indicated as follows:

(i) If to IBM Credit at:
IBM Credit Corporation
5000 Executive Parkway, Suite #450
San Ramon, CA 94583
Attention: Remarketer Finance Center Manager
Telecopy: (510) 277- 5675

(ii) If to Customer at:
Radius Inc.
215 Moffett Park Drive
Sunnyvale, CA 94089
Attention: David Pine
Telecopy: (408) 541-5838

or to such other address or number as each party designates to the other in the manner prescribed herein.

10.13. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto were upon the same instrument.

10.14. ATTACHMENT A MODIFICATIONS. IBM Credit may modify the Product Advance Term set forth in Attachment A from time to time if on at least two occasions during any three-month period a Shortfall Amount has become due and payable and may modify the Collateral Insurance Amount set forth in Attachment A from time to time, in each case, by providing Customer with a new Attachment A. Any such new Attachment A shall be effective as of the date specified in the new Attachment A.

10.15. SUBMISSION AND CONSENT TO JURISDICTION AND CHOICE OF LAW. TO INDUCE IBM CREDIT TO ACCEPT THIS AGREEMENT AND THE OTHER AGREEMENTS, THE CUSTOMER HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(A) SUBMITS ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND ANY OTHER AGREEMENT, OR FOR THE RECOGNITION AND

ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NON-EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND ANY FEDERAL DISTRICT COURT IN NEW YORK.

(B) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREINAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME.

(C) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR

CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO CUSTOMER AT ITS ADDRESS SET FORTH IN SECTION 10.12 OR AT SUCH OTHER ADDRESS OF WHICH IBM CREDIT SHALL HAVE BEEN NOTIFIED PURSUANT THERETO;

(D) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION.

(E) AGREES THAT THE VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS (WITHOUT GIVING EFFECT TO CONFLICT OF LAW PROVISIONS) OF THE STATE OF NEW YORK.

10.16. JURY TRIAL WAIVER. EACH OF IBM CREDIT AND THE CUSTOMER HEREBY IRREVOCABLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING (INCLUDING ANY COUNTERCLAIM) OF ANY TYPE IN WHICH IBM CREDIT AND THE CUSTOMER ARE PARTIES AS TO ALL MATTERS ARISING DIRECTLY OR INDIRECTLY OUT OF THIS AGREEMENT OR ANY DOCUMENT, INSTRUMENT OR AGREEMENT EXECUTED IN CONNECTION HEREWITH.

IN WITNESS WHEREOF, the Customer has read this entire Agreement, and has caused its authorized representatives to execute this Agreement and has caused its corporate seal to be affixed hereto as of the date first written above.

RADIUS INC.

By: /s/ Robert W. Saltmarsh

Print Name: Robert W. Saltmarsh

Title: VP Finance/CFO

ACCEPTED this 17th day of February, 1995,

IBM CREDIT CORPORATION

By: /s/ Tracy M. Wyatt

Print Name: Tracy M. Wyatt

Title: Account Operations Manager

ATTACHMENT A, EFFECTIVE DATE JANUARY 26, 1995 ("IWCF ATTACHMENT A")
TO INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT ("IWCF AGREEMENT")
DATED February 17, 1995

Customer: Radius Inc.

I. Fees, Rates and Repayment Terms:

(A) Line of Credit: Thirty Million Dollars (\$30,000,000.00)

(B) Borrowing Base:

75% of the amount of the Customer's Eligible Accounts as of the date of determination as reflected in the Customer's most recent Collateral Management Report;

(C) Product Advance Charge: Prime Rate plus 1.875%

(D) Product Advance Term: 45 days

(E) Collateral Insurance Amount: Twenty Five Million Dollars (\$25,000,000.00)

(F) A/R Finance Charge:

(i) WCO Advance Charge: Prime Rate plus 1.875%

(iii) Takeout Advance Charge: Prime Rate plus 1.875%

(G) Delinquency Fee Rate: Prime Rate plus 6.500%

(H) Shortfall Transaction Fee: Shortfall Amount multiplied by 0.30%

(I) Other Charges:

(i) Application Processing Fee: \$20,000.00

(ii) Monthly Service Fee: \$2,000.00

(iii) Closing Fee: \$ N/A

(iv) Commitment Fee: \$ N/A

IWCF ATTACHMENT A TO
INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT ("IWCF AGREEMENT")

II. Bank Account

(A) Customer's Lockbox(es) and Special Account(s) will be maintained at the following Bank(s):

Name of Bank: Silicon Valley Bank_____

Address: 3000 Lakeside Drive, Santa Clara, CA 95054_____

Phone: (408) 654 - 5586_____

Lockbox Address: Dept. No. 05771, San Francisco, CA 94139 - 5711_____

Special Account #: 0351777270

IWCF ATTACHMENT A TO
INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT ("IWCF AGREEMENT")

III. Financial Covenants

Definitions: The following terms shall have the following respective meanings in this Attachment A. All amounts shall be determined in accordance with generally accepted accounting principles (GAAP).

Current shall mean within the on-going twelve month period.

Current Assets shall mean assets that are cash or expected to become cash within the on-going twelve months.

Current Liabilities shall mean payment obligations resulting from past or current transactions that require settlement within the on-going twelve month period. All indebtedness to IBM Credit shall be considered a Current Liability solely for purposes of determining compliance with the Financial Covenants.

Long Term shall mean beyond the on-going twelve month period.

Long Term Assets shall mean assets that take longer than a year to be converted to cash. They are divided into four categories: tangible assets, investments, intangibles and other.

Long Term Debt shall mean payment obligations of indebtedness which mature more than twelve months from the date of determination, or mature within

twelve months from such date but are renewable or extendible at the option of the debtor to a date more than twelve months from the date of determination.

Net Profit after Tax shall mean Revenue plus all other income, minus all costs, including applicable taxes.

Revenue shall mean the monetary expression of the aggregate of products or services transferred by an enterprise to its customers for which said customers have paid or are obligated to pay, plus other income as allowed.

Subordinated Debt shall mean Customer's indebtedness to creditors other than IBM Credit which have been subordinated to IBM Credit by said other creditors in a written and executed agreement between IBM Credit and said other creditors.

IWCF ATTACHMENT A TO
INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT ("IWCF AGREEMENT")

III. Financial Covenants (continued):

Tangible Net Worth shall mean:

Total Net Worth minus, to the extent included in Total Net Worth, the following items:

- (a) goodwill, organizational expenses, pre-paid expenses, deferred charges, research and development expenses, software development costs, leasehold expenses, trademarks, trade names, copyrights, patents, patent applications, privileges, franchises, licenses and rights in any thereof, and other similar intangibles (but not including contract rights) and other current and non-current assets;
- (b) all accounts receivable from officers, directors, stockholders and affiliates; and
- (c) all callable/redeemable preferred stock.

Total Assets shall mean the total of Current Assets and Long Term Assets.

Total Liabilities shall mean the Current Liabilities and Long Term Debt less Subordinated Debt, resulting from past or current transactions, that require settlement in the future.

Total Net Worth (the amount of owner's or stockholder's ownership in an enterprise) is equal to Total Assets minus Total Liabilities.

Working Capital shall mean Current Assets minus Current Liabilities.

IWCF ATTACHMENT A TO
INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT ("IWCF AGREEMENT")

III. Financial Covenants (continued):

Customer will be required to maintain the following financial ratios and amounts:

- a) At all times from 12/31/94 to 03/30/95 revenue on an annual basis (i.e., the current fiscal year-to-date Revenue annualized) to Working Capital ratio greater than zero and equal to or less than 14.0:1.0;
- b) Net Profit after Tax to Revenue ratio for the quarter ending 03/31/95 equal to or greater than 0.0% excluding the amount of any extraordinary charge incurred by Customer on or prior to March 31, 1995 relating to the following Class Action complaints filed with the United States District Court, Northern District of California, San Jose Division:

Class Action No. C-92 20611, filed 9/18/92,
Class Action No. C-92 20597, filed 9/14/92,
Class Action No. C-94 20206, filed 3/25/94;
- c) At all times from 12/31/94 to 03/30/95 Total Liabilities to Tangible Net Worth ratio greater than zero and equal to or less than 6.0:1.0.

Customer will be required to maintain the following financial ratios and amounts:

- a) At all times from 03/31/95 to 06/29/95 revenue on an annual basis (i.e., the current fiscal year-to-date Revenue annualized) to Working Capital ratio greater than zero and equal to or less than 14.0:1.0;
- b) Net Profit after Tax to Revenue ratio for the quarter ending 06/30/95 equal to or greater than 1.1% excluding the amount of any extraordinary charge incurred by Customer on or prior to March 31, 1995 relating to the following Class Action complaints filed with the United States District Court, Northern District of California, San Jose Division:

Class Action No. C-92 20611, filed 9/18/92,
Class Action No. C-92 20597, filed 9/14/92,
Class Action No. C-94 20206, filed 3/25/94;
- c) At all times from 03/31/95 to 06/29/95 total Liabilities to Tangible Net Worth ratio greater than zero and equal to or less than 5.0:1.0.

IWCF ATTACHMENT A TO

III. Financial Covenants (continued):

Customer will be required to maintain the following financial ratios and amounts:

- a) From 06/30/95 and maintain at all times thereafter revenue on an annual basis (i.e., the current fiscal year-to-date Revenue annualized) to Working Capital ratio greater than zero and equal to or less than 14.0:1.0;
- b) Net Profit after Tax to Revenue ratio for the each quarter ending subsequent to 06/30/95 equal to or greater than 2.0% excluding the amount of any extraordinary charge incurred by Customer on or prior to March 31, 1995 relating to the following Class Action complaints filed with the United States District Court, Northern District of California, San Jose Division:

Class Action No. C-92 20611, filed 9/18/92,
Class Action No. C-92 20597, filed 9/14/92,
Class Action No. C-94 20206, filed 3/25/94;

- c) From 06/30/95 and maintain at all times thereafter Total Liabilities to Tangible Net Worth ratio greater than zero and equal to or less than 3.2:1.0.

IWCF ATTACHMENT A TO
INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT ("IWCF AGREEMENT")

IV. Additional Conditions Precedent Pursuant to Section 5.1 (L) of the Agreement:

- . Executed Inventory and Working Capital Financing Agreement and applicable attachments
- . Executed Contingent Blocked Account Amendment:
- . Fiscal year-end financial statements of Customer as of September 30, 1994 audited by an independent certified public accountant satisfactory to IBM Credit and delivered to IBM Credit no later than January 31, 1995;
- . Listing of all creditors providing accounts receivable financing to Customer;
- . A Compliance Certificate as to Customer's compliance with the financial covenants set forth in Exhibit A as of the last fiscal month of Customer for which Financial Statements have been published;

- . A Certificate of Location of Collateral whereby the Customer certifies where Customer presently keeps or sells inventory, equipment and other tangible collateral;
- . A favorable Opinion of Counsel;
- . Intercreditor Agreements from all creditors having a lien which is superior to IBM Credit in any assets that IBM Credit relies on to satisfy Customer's obligations to IBM Credit;
- . Termination or release of Uniform Commercial Code filing by other creditor as required by IBM Credit;
- . Executed Letter of Direction;
- . Executed Letter of Notification;
- . Executed Acknowledgement of Payment and Termination from Wells Fargo Bank
- . A copy of an all-risk insurance certificate in a form and substance satisfactory to IBM Credit.

IWCF ATTACHMENT A TO
INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT ("IWCF AGREEMENT")

IV. Other Requirements

- . Copies of Resolutions of Board of Directors certified by Secretary authorizing execution and delivery of the loan agreements;
- . Certificate of the Secretary certifying names and signatures of authorized officers;
- . Copies of Certificate of Incorporation and by-laws of Customer certified by Secretary;
- . Copies of any approvals and consents required, if any, to enable Customer to enter into loan;
- . Certificates dates as of a recent date from SOS evidencing good standing of Customer in all jurisdictions;
- . The results of the initial on-site audit to be performed must be acceptable to IBM Credit.
- . A business plan in a form and substance acceptable to IBM Credit.
- . Any and all other documents required by IBM Credit.

IWCP ATTACHMENT TO INVENTORY AND WORKING
CAPITAL FINANCING AGREEMENT

The section numbers used herein correspond to the section of the Inventory and Working Capital Financing Agreement (the "Financing Agreement") to which the disclosures relate; however, all information shall be deemed disclosed under and incorporated into any other section of the Financing Agreement where such disclosure would be appropriate.

The inclusion of any information herein should not be interpreted as indicating that Radius Inc. (the "Company") has determined information is necessary material to the Company and its subsidiaries. In August, 1994, the Company merged with SuperMac Technology, Inc. ("SuperMac") and assumed all obligations relating to SuperMac. the following information includes obligations relating to SuperMac, as appropriate.

6.1 ORGANIZATION AND QUALIFICATIONS.

1. The Company has offices in the following jurisdictions in which it is qualified to do business: California; Georgia; New York; and Texas.

2. the Company has offices in the following jurisdictions in which it is NOT qualified to do business: Colorado; Massachusetts; and Ohio. The Company is in the process of obtaining qualification in each of these states. The penalties provided by the laws of these three states have been explained to the Company by counsel, but the Company believes that such penalties would not, even if applicable, have a material adverse effect on the Company, its business, or its properties, taken as a whole.

6.3 NO CONFLICTS

Upon the closing of the Credit Agreement, Radius will direct IBM to pay off the obligations under the Credit Agreement dated August 29, 1994 between Wells Fargo Bank and Radius Inc. (\$15,000,000).

6.5 LOCATIONS OF OFFICES

Address of principal place of business and chief executive office:

Radius Inc.
215 Moffett Park Drive
Sunnyvale, California 94089

6.6 FICTITIOUS BUSINESS NAMES

Radius Inc.
SuperMac Technology, Inc.

6.8 NO JUDGMENTS OR LITIGATION

1. In September of 1992, the Company and certain of its officers and directors were named in two securities class actions filed in the United States District Court for the Northern District of California. The parties stipulated to consolidate the two complaints into one class action in November 1992. The parties have reached a settlement which is subject to formal approval by the federal court in San Jose which is anticipated to occur in May, 1995. The settlement provides for a cash payment of \$3.65 million, and the issuance of 128,695 shares of stock valued at \$14.375 per share, for a total of \$5.5 million. Insurance will cover the entire cash

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portion of the settlement.

2. The Company entered into a Conciliation Agreement with the US Department of Labor Office of Federal Contract Compliance Programs ("OFCCP") dated July 12, 1993 which remained in effect until July 12, 1994. The Conciliation Agreement was executed following a compliance review by the OFCCP and alleges that the Company violated certain provisions of Executive Order 11246, as amended; Section 503 of the Rehabilitation Act of 1973, as amended; the Vietnam Era Veteran's Readjustment Assistance Act of 1974, as amended; and certain related implementing regulations. The Company has or will remedy the violations described in the Conciliation Agreement.

3. The Company has been served with a complaint for patent infringement by Mark Koz. The Company is currently assessing the merits of the suit which pertains to certain of the Company's digital-video products.

4. SuperMac and certain of its present and former officers and directors and venture capital firms and investment bankers were named as defendants in a stockholder class action filed in February 1994 in the United States District Court for the Northern District of California. The action claimed that the defendants violated certain federal securities laws by allegedly making misrepresentations or omissions regarding SuperMac and its prospects and thereby causing the prices for SuperMac's stock to be artificially high. The parties have come to a settlement which is subject to formal approval by the federal court in San Jose which is anticipated to occur in May, 1995. Under the settlement, the Company will pay \$250,000 in cash and issue between 707,609 and 807,609 shares of stock, depending on the value of the stock when it is distributed to shareholders. The aggregate value of the settlement as of the settlement date was approximately \$10.4 million.

5. Video Processing Technology ("VPT") has asserted in a dispute that commenced in December of 1981 that the Company's complex video processing circuits and products may infringe certain basic patents held by VPT covering time-base corrector and video frame synchronizer technology. The VPR patents which are the subject of the dispute have now expired in the United States. The Company has requested that the VPT present a settlement proposal for consideration by the Company. The Company has requested that VPT present a

settlement proposal for consideration by the Company. The Company believes that it has numerous defenses to VPT's patent claims and that Phillips Electronics N.V. is required to indemnify the Company with respect to certain products.

6. In correspondence dated September 29, 1992 counsel for Philips Electronics N.V. of the Netherlands asserted that the Company's use of the term SCREENPLAY in connection with its VideoSpigot product infringes Philips' rights in the mark. The Company met with an attorney from Philips and provided additional information with respect to the Company's use of the SCREENPLAY mark. The Philips attorney verbally indicated that the Company's use of the mark was not infringing.

7. On June 7, 1991 Danish counsel for Dansk Data Elektronik of Denmark wrote to the Company's local Danish distributor, Torsana, asserting that use of the Company name and mark in Denmark infringed upon Dansk Data's rights in the mark Supermax. Through local counsel, the Company responded to this claim and denied that its name and mark infringed upon any rights that Dansk Data might have in its mark. Dansk Data again wrote to Company counsel in January 1992 asserting that the Company's use of its name and mark in the U.S. constituted an infringement of Dansk Data's U.S. trademark rights in Supermax. The Company responded to this correspondence denying the likelihood of confusion from the two companies' use of their respective marks. The Company subsequently filed an application to register the names SuperMac and SuperMatch in Germany which application was opposed by Dansk Data.

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6.9 NO DEFAULTS

The Lease Agreement for the property at 215 Moffett Park Drive dated November 13, 1992, as amended May 4, 1993, requires that the Company establish an irrevocable line of credit for \$500,000 with a bank. The Landlord could draw on the Letter of Credit by providing the _____ with a statement that the Company has not made one or more payments as due or that an event of default under the lease has occurred. The Company assumed the lease in connection with the merger with SuperMac. The letter of credit was never established and has not been requested by the landlord.

6.10 LABOR MATTERS

The Company has terminated approximately 250 employees in connection with the Merger. The terminated employees from both Radius and SuperMac, other than executive officers, were generally given the following severance benefits:

Employees below the director level received a severance payment consisting of the greater of (i) two months of salary, or (ii) one month for every full year of service with the Company. A portion of each payment (equal to one month of salary) was dependent on the employee meeting a set of objectives established between the employee and his or her manager. Each

employee also received three months of COBRA coverage and an outplacement assistance package.

Employees at the director level received a similar package except that it included an additional month of salary as severance and more extensive outplacement services.

6.12 ERISA

RADIUS INC.

The Company's prior plan administrator for the Company's Section 125 Flexible Benefit Plan has not yet located one Form 5500.

SUPERMAC TECHNOLOGY, INC.

The Form 5500 for the Company's Section 125 Plan Flexible Benefit Plan for the 1992 Plan year has not been located.

With respect to each of the Forms 5500 mentioned above (the "Forms"), the Company will determine as soon as practicable whether or not the Forms were filed and if not filed, will file them as soon as practicable.

6.13 COMPLIANCE WITH ENVIRONMENTAL LAWS

1. The Company uses small amounts of Hazardous Materials in connection with landscaping, maintenance and cleaning of its facilities.

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2. In or about April 1991, an air compressor located at the Company's previous facilities at 1710 Fortune Drive in San Jose, California discharged a small amount of water mixed with lubricating oil. Approximately eight cubic feet of soil that may have been affected was removed.

3. On or about December 8, 1992. Joseph Sappiano was visiting the Company's facilities and was allegedly exposed to fumes emanating from a forklift battery which had apparently spilled or leaked. Mr. Sappiano's claim for damages in the amount of \$25,000 in connection with his alleged exposure to fumes was settled in May of 1994 for \$3,500 and was covered by the Company's liability insurance.

6.19 AFFILIATE/SUBSIDIARY TRANSACTIONS

RADIUS INC.

1. In April 1994, the Company loaned J. Daniel Shaver, the Company's Vice President of Sales and Marketing, a total of \$150,000 to purchase a home. The loan has a five year term, bears simple interest at the minimum rate to

avoid imputation of income, is secured by Mr. Shaver's shares of Radius stock as well as by his residence, and accelerates and becomes due if Mr. Shaver ceases to be employed by the Company.

2. On September 17, 1993, the Company loaned \$100,000 to Charles Berger, the Company's President and Chief Executive Officer, as required under the terms of his Employment Agreement. The loan has a three-year term, accrues simple interest at the rate of 3.9% per annum. The loan is secured by shares of Common Stock subject to Mr. Berger's stock option, and fifty percent (50%) of the proceeds from the sale of any such shares is payable to the Company until such time as the loan is paid in full. One third of the principal amount, together with all accrued interest, will be forgiven by the Company on each anniversary of the date that Mr. Berger commenced employment with the Company, which was March 22, 1993.

3. In August 1993, SuperMac loaned \$100,000 to Laurin Herr, the Company's Vice President of Business Development and Strategic Relations, to purchase a home in the Bay Area. The Company assumed the loan in connection with the merger with SuperMac in August 1994. The loan has a four year term, bears simple interest at the rate of prime plus one percent per annum. Minimum payments are due on an annual basis with the amount due each year equal to 100% of Mr. Herr's bonus payments. The loan is secured by shares of Common Stock subject to Mr. Herr's bonus payments. The loan is secured by shares of Common Stock subject to Mr. Herr's stock options.

4. In April 1993, SuperMac loaned \$300,064 to Michael A. McConnell, the Company's former Vice Chairman of the Board of Directors and currently a member of the Board, in connection with the payment of Mr. McConnell's alternative minimum tax resulting from his exercise of a stock option in 1992. The Company assumed the loan in connection with the merger with SuperMac in August 1994. The loan is due on or before April 30, 2003 and is repayable in amounts equal to the tax saving resulting from the minimum tax credit allowable under the Internal Revenue Code. The loan bears interests at the rate of 3.75%. Approximately \$152,000 in principal and \$50,000 in interest remains outstanding under this loan.

5. On April 2, 1994, the Company entered into a Restated Pivot Technology License Agreement with Portrait Display Labs, L.P., which agreement was subsequently assigned in its entirety to Portrait Display Labs, Inc. ("PDLI"). Pursuant to that agreement, PDLI acquired the license to certain pivot display technology in exchange for the payment of certain royalties.

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Concurrently with the grant of the license, the Company sold color pivot displays to PDLI in accordance with an OEM Supply Agreement dated April 2, 1994.

On May 19, 1994, the Company canceled certain rights held by the Company to purchase all of the outstanding equity securities or assets of a

predecessor entity to PDLI in exchange for: (i) 400,987 shares of PDLI Series A Preferred Stock; (ii) contingent shares of PDLI Series A Preferred Stock so that the Company would own a total number of shares of PDLI Series A Preferred shares equal to ten percent (10%) of PDLI's capital stock on a fully diluted basis determined as of the last date shares were sold in PDLI's Series B Preferred Stock financing; and (iii) a warrant to purchase a number of shares of PDLI Series B Preferred Stock equal to ten percent (10%) of PDLI's capital stock on a fully diluted basis determined as of the last date shares were sold of PDLI's Series B Preferred Stock financing at a price equal to the lowest price paid by other investors in that financing. On or about July 5, 1994, PDLI closed a Series B Preferred Stock financing and the Company received 273,339 shares of PDLI Series A Preferred Stock and a warrant to purchase 675,326 shares of PDLI Series B Preferred Stock at a price of \$1.40 per share.

In connection with the sale of stock from PDLI to the Company, (i) J. Daniel Dan Shaver, the Company's Vice President of Sales and Marketing, was appointed to the Board of Directors of PDLI, and (ii) a majority of the then existing shareholders of PDLI entered into a Voting Agreement to vote their shares so as to ensure the election of one representative of the Company to the PDLI Board of Directors.

On December 30, 1994, the Company exercised a warrant to purchase 667,582 shares of PDLI Series B Preferred Stock in exchange for the cancellation of a receivable equal to \$934,614.80.

6.22 INDEBTEDNESS

RADIUS INC.

1. The Company entered into a Credit Agreement dated August 29, 1994 with Wells Fargo Bank, for a \$15.0 million secured loan. The Company has borrowed \$15.0 million under this Credit Agreement.

2. The Company is a party to the following personal property leases:

Loan and Security Agreement #2604492-003 with Metlife Capital dated December 31, 1993.

Loan and Security Agreement #2604492-002 with Metlife Capital dated March 1, 1993.

Loan and Security Agreement with Metlife Capital dated November 10, 1992

Loan and Security Agreement #2604492-001 with Metlife Capital dated December 1992.

Master Security Agreement #64463-00001 with CIT Group, dated June 1, 1993.

Master Security Agreement #64463-00002 with CIT Group, dated

IWCF ATTACHMENT C TO
INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT ("IWCF AGREEMENT")

COMPLIANCE CERTIFICATE

TO: IBM CREDIT CORPORATION
(INSERT RFC ADDRESS)

The undersigned authorized officers of Radius Inc. ("Radius"), hereby certify on behalf of the Customer, with respect to the Inventory and Working Capital Financing Agreement executed by and between Radius and IBM Credit Corporation ("IBM Credit") on February 17, 1995, as amended from time to time (the "Agreement"), that (A) Radius has been in compliance for the period from September 30, 1994 to December 31, 1994 with the financial covenants set forth in Attachment A to the Agreement, as demonstrated below, and (B) no Default has occurred and is continuing as of the date hereof, except, in either case, as set forth below. All capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Agreement.

I. Financial Covenants.

FINANCIAL COVENANTS	REQUIRED	ACTUAL
Annualized Revenue to Working Capital	Greater than zero; equal to or less than 14.0:1.0	10.59:1.0
Net Profit After Tax to Revenue	Equal to or greater than 0.0%	0.02%
Total Liabilities to Tangible Net Worth	Greater than zero; equal to or less than 6.0:1.0	4.0:1.0

IWCF ATTACHMENT C TO
INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT ("IWCF AGREEMENT")

II. Calculation of Tangible Net Worth.

<TABLE>	<C>
<S>	<C>
Total Assets MINUS Total Liabilities	36,831

LESS:	
goodwill	

organizational expenses	

pre-paid expenses	1,489

deferred charges, etc.	8,400

leasehold expenses	862

all other (Deposits and other)	1,234

callable/redeemable preferred stock	

officer, director, stockholder and affiliate receivables	682

Total Tangible Net Worth	24,164

</TABLE>

Attached hereto are Financial Statements as of and for the end of the fiscal quarter ended on the applicable date, as required by Section 7.1 of the Inventory and Working Capital Financing Agreement.

Submitted by:
Radius Inc.

(Customer Name)

By: /s/ Robert W. Saltmarsh

Print Name: Robert W. Saltmarsh

Title: Chief Financial Officer

IWCF ATTACHMENT D TO
INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT ("IWCF AGREEMENT")

IWCF Takeout Advance Option

IWCF TAKEOUT ADVANCE Schedule of Repayments for Radius Inc. _____

* . Number of payments will be nine (9) with the following
percents of the Takeout Advance amount due on the payment
dates indicated below:

<TABLE>
<CAPTION>

Payment #	Payment Date	Percent of Takeout Advance Amount Due:
-----	-----	-----
<S>	<C>	<C>
1.	02/05/xx	xx.1%
2.	02/15/xx	xx.1%
3.	02/25/xx	xx.1%
4.	03/05/xx	xx.1%
5.	03/15/xx	xx.1%
6.	03/25/xx	xx.1%
7.	04/05/xx	xx.1%
8.	04/15/xx	xx.1%
9.	04/25/xx	xx.2%
10.		
Total		100.0%

</TABLE>

*Assumes 9 payments and takeout takes place on 01/31/95

Fee Schedule

- o IWCF Takeout Advance Financing Charge: Prime Rate plus 1.875%
- o Delinquency Fee for late payment will be Prime Rate plus 6.500% on ADB.

IWCF ATTACHMENT E TO
INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT
("IWCF AGREEMENT")

AUTHORIZED SUPPLIERS

SONY

IWCF ATTACHMENT F TO
INVENTORY AND WORKING CAPITAL FINANCING AGREEMENT ("IWCF AGREEMENT")

RADIUS

FPP FINANCING MONTHLY COLLATERAL RECONCILIATION REPORT
PERIOD
FOR THE MONTH ENDING FEBRUARY 14, 1995

	GROSS COLLATERAL VALUE	ADVANCE RATE	NET COLLATERAL VALUE
	-----	-----	-----
1. ELIGIBLE A/R			
- Gross Receivables	51,522,092		
- Less Ineligibles:			
A/R over 90 days	1,679,918		
50% over 90 days	8,723,649		
Other	21,015,153		

ELIGIBLE A/R	20,103,372	75%	15,077,529
Attach A/R Aging Report (B)			
2. TOTAL IBMCC COLLATERAL			15,077,529
3. LESS NET IBMCC OUTSTANDINGS (Obtain from IBM Credit)			-----

4. EXCESS COLLATERAL
(Total Coll. - Net O/S > 0)
5. SHORTFALL
(Total Coll. - Net O/S < 0)
(Attach Payment & Remittance Advice)

Signature /s/ Robert W. Saltmarsh

Date Feb. 17, 1995

Title VICE PRESIDENT & CHIEF FINANCIAL OFFICER

ATTACHMENT G TO
WORKING CAPITAL FINANCING AGREEMENT

CERTIFICATE OF LOCATION OF COLLATERAL

The undersigned, the Chief Financial Officer of Radius Inc. ("Radius"), hereby certifies with reference to the Inventory and Working Capital Financing Agreement, dated February 17, 1995, between Radius and IBM Credit Corporation as follows:

(a) Other than with respect to no more than \$70,000 worth of inventory, the following are all the locations where Radius presently keeps or sells inventory, equipment or other tangible Collateral:

LOCATION

*Radius Inc.
1383 Borregas
Sunnyvale, CA 94089

*Radius Inc.
215 Moffett Park Drive
Sunnyvale, CA 94089

Intexo
Hoeksteen 26
2132 MS Hoofddorp
The Netherlands

AVEX
760 Mission Ct
Fremont, CA 94539

Bayeux Packaging Inc.
822 E. Evelyn Ave.
Sunnyvale, CA 94086

Capetronic
42001 Christy St.
Fremont, CA 94538

Craftsman
1350 Dell Ave. Ste 108
Campbell, CA 95008

CRC
19 Thame Park Business Center
Wenman Thame
Oson OX93XA

Computers Unlimited
Technology Park
Colin Deep Lane
London NW 960U

Skyway Freight Systems
44051 Osgood Drive
Fremont CA 94538

Digital Equipment Corporation
18 Ang Mo Kiu Industrial Park
Singapore 2056

Display Technologies, Inc.
1355 Homes Road
Elgin, IL 60123

EAD Hayward
213 E. Maude St.
Suite 103
Sunnyvale, CA 94086

Encription Tech. Corp.
9351 Geronimo
Irvine, CA 92718

LMI Germany
Wasserweg-19
6080 Gross Gerau
Frankfurt, Germany

GSC Logistics
24 Cannery Ct.
Hayward, CA 94544

Hitachi America
19530 Cabot Blvd.
Hayward, CA 94545

International Business Electronics, Inc.
21130 Cabot Blvd.
Hayward, CA 94545

JACOM
2-7-1 Taito
Taito-ku
Tokyo, Japan 110

Kent H. Landsberg
2124 Bering Drive
San Jose, CA 95131

LMI
6269 East Shelby Drive
Memphis, TN 38141

Logistics
48021 Warm Springs Blvd
Fremont, CA 94539

MacConnection
2870 Old State Route 73
Wilmington, OH 45177

MacWar
Periferico Sur 5323-A
Col. Istdro Fabela 14030
Mexico DF, Mexico
Micron
8455 WestPark
Boise, ID 83704

Pacific Rim Data
48531 Warm Springs Ste 415
Fremont, CA 94539

Direct Response
11 Mt. Pleasant Ave.
East Hanover NJ 07935

Restorr Technology
1507 Centre Pointe Drive
Milpitas, CA 95035

Service Industries
Pieter GoedKoopweg 26
2031 El Haarlem
The Netherlands

*San Jose Distribution
567 Cinnabar Street
San Jose, CA 94110

Select Marketing
9020-II Capital of Texas Highway North
Suite 400
Austin, TX 78759

Sony Electronics Inc.
3300 Zanker Road
San Jose, CA 95134-1940

VanStar
7364 Marathon Drive Ste B
Livermore, CA 94550

* Leased by Radius

Sales Offices (all leased by Radius):

215 Moffett Park Drive
Sunnyvale, CA 94089

3 Woodfield Lakes
900 N. National Parkway, Ste. 205
Schaumburg, IL 60173

5690 Denver Tech Center Blvd., Ste. 130W
Englewood, CO 8011

1111 Alderman Dr., Suite 490
Alpharetta, GA 30202

Carnegie Hall Tower
152 W. 57th Street
32nd Floor
New York, NY 10019

IN WITNESS WHEREOF, I have hereunto set my hand this day of
February 17, 1995 .

RADIUS INC.

BY: /s/ Robert W. Saltmarsh

TITLE: VP Finance & CFO

BUSINESS LOAN AGREEMENT

BORROWER: RADIUS INC.
215 MOFFETT PARK DRIVE
SUNNYVALE, CA 94089

LENDER:

SILICON VALLEY BANK
SANTA CLARA TECHNOLOGY
3000 LAKESIDE DRIVE
SANTA CLARA, CA 95054

THIS BUSINESS LOAN AGREEMENT BETWEEN RADIUS INC. ("BORROWER") AND SILICON VALLEY BANK ("LENDER") IS MADE AND EXECUTED ON THE FOLLOWING TERMS AND CONDITIONS. BORROWER HAS RECEIVED PRIOR COMMERCIAL LOANS FROM LENDER OR HAS APPLIED TO LENDER FOR A COMMERCIAL LOAN OR LOANS AND OTHER FINANCIAL ACCOMMODATIONS, INCLUDING THOSE WHICH MAY BE DESCRIBED ON ANY EXHIBIT OR SCHEDULE ATTACHED TO THIS AGREEMENT. ALL SUCH LOANS AND FINANCIAL ACCOMMODATIONS, TOGETHER WITH ALL FUTURE LOANS AND FINANCIAL ACCOMMODATIONS FROM LENDER TO BORROWER, ARE REFERRED TO IN THIS AGREEMENT INDIVIDUALLY AS THE "LOAN" AND COLLECTIVELY AS THE "LOANS." BORROWER UNDERSTANDS AND AGREES THAT: (A) IN GRANTING, RENEWING, OR EXTENDING ANY LOAN, LENDER IS RELYING UPON BORROWER'S REPRESENTATIONS, WARRANTIES, AND AGREEMENTS, AS SET FORTH IN THIS AGREEMENT; (B) THE GRANTING, RENEWING, OR EXTENDING OF ANY LOAN BY LENDER AT ALL TIMES SHALL BE SUBJECT TO LENDER'S SOLE JUDGMENT AND DISCRETION; AND (C) ALL SUCH LOANS SHALL BE AND SHALL REMAIN SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS OF THIS AGREEMENT.

TERM. This Agreement shall be effective as of MARCH 20, 1995, and shall continue thereafter until all Indebtedness of Borrower to Lender has been performed in full and the parties terminate this Agreement in writing.

DEFINITIONS. The following words shall have the following meanings when used in this Agreement. Terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. All references to dollar amounts shall mean amounts in lawful money of the United States of America.

AGREEMENT. The word "Agreement" means this Business Loan Agreement, as this Business Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Business Loan Agreement from time to time.

BORROWER. The word "Borrower" means RADIUS INC.. The word "Borrower" also includes, as applicable, all subsidiaries and affiliates of Borrower as provided below in the paragraph titled "Subsidiaries and Affiliates."

CERCLA. The word "CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

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CASH FLOW. The words "Cash Flow" mean net income after taxes, and exclusive of extraordinary gains and income, plus depreciation and amortization.

COLLATERAL. The word "Collateral" means and includes without limitation all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

DEBT. The word "Debt" means all of Borrower's liabilities excluding Subordinated Debt.

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

EVENT OF DEFAULT. The words "Event of Default" mean and include without limitation any of the Events of Default set forth below in the section titled "EVENTS OF DEFAULT."

GRANTOR. The word "Grantor" means and includes without limitation each and all of the persons or entities granting a Security Interest in any

Collateral for the Indebtedness, including without limitation all Borrowers granting such a Security Interest.

GUARANTOR. The word "Guarantor" means and includes without limitation each and all of the guarantors, sureties, and accommodation parties in connection with any Indebtedness.

INDEBTEDNESS. The word "Indebtedness" means and includes without limitation all Loans, together with all other obligations, debts and liabilities of Borrower to Lender, or any one or more of them, as well as all claims by Lender against Borrower, or any one or more of them; whether now or hereafter existing, voluntary or involuntary, due or not due, absolute or contingent, liquidated or unliquidated; whether Borrower may be liable individually or jointly with others; whether Borrower may be obligated as a guarantor, surety, or otherwise; whether recovery upon such Indebtedness may be or hereafter may become barred by any statute of limitations; and whether such Indebtedness may be or hereafter may become otherwise unenforceable.

LENDER. The word "Lender" means Silicon Valley Bank, its successors and assigns.

LIQUID ASSETS. The words "Liquid Assets" mean Borrower's cash on hand plus Borrower's receivables.

LOAN. The word "Loan" or "Loans" means and includes without limitation any and all commercial loans and financial accommodations from Lender to Borrower, whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

NOTE. The word "Note" means and includes without limitation Borrower's promissory note or notes, if any, evidencing Borrower's Loan obligations in favor of Lender, as well as any substitute, replacement or refinancing note or notes therefor.

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BUSINESS LOAN AGREEMENT
CONTINUED

RELATED DOCUMENTS. The words "Related Documents" mean and include without limitation all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

SECURITY AGREEMENT. The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

SECURITY INTEREST. The words "Security Interest" mean and include without limitation any type of collateral security, whether in the form of a lien, charge, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

SARA. The word "SARA" means the Superfund Amendments and Reauthorization Act of 1986 as now or hereafter amended.

SUBORDINATED DEBT. The words "Subordinated Debt" mean indebtedness and liabilities of Borrower which have been subordinated by written agreement to indebtedness owed by Borrower to Lender in form and substance acceptable to Lender.

TANGIBLE NET WORTH. The words "Tangible Net Worth" mean Borrower's total assets excluding all intangible assets (i.e., goodwill, trademarks, patents, copyrights, organizational expenses, and similar intangible items, but including leaseholds and leasehold improvements) less total Debt.

WORKING CAPITAL. The words "Working Capital" mean Borrower's current assets, excluding prepaid expenses, less Borrower's current liabilities.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender as of the date of this Agreement and as of the date of each disbursement of Loan proceeds:

ORGANIZATION. Borrower is a corporation which is duly organized, validly

existing, and in good standing under the laws of the State of California. Borrower has the full power and authority to own its properties and to transact the businesses in which it is presently engaged or presently proposes to engage. Borrower also is duly qualified as a foreign corporation and is in good standing in all states in which the failure to so qualify would have a material adverse effect on its businesses or financial condition.

AUTHORIZATION. The execution, delivery, and performance of this Agreement and all Related Documents by Borrower, to the extent to be executed, delivered or performed by Borrower, have been duly authorized by all necessary action by Borrower; do not require the consent or approval of any other person, regulatory authority or governmental body; and do not conflict with, result in a violation of, or constitute a default under (a) any provision of its articles of incorporation or

BUSINESS LOAN AGREEMENT
CONTINUED

organization, or bylaws, or any agreement or other instrument binding upon Borrower or (b) any law, governmental regulation, court decree, or order applicable to Borrower.

FINANCIAL INFORMATION. Each financial statement of Borrower supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

LEGAL EFFECT. This Agreement constitutes, and any instrument or agreement required hereunder to be given by Borrower when delivered will constitute, legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

PROPERTIES. Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except for property tax liens for taxes not presently due and payable, Borrower owns and has good title to all of Borrower's properties free and clear of all Security Interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used, or filed a financing statement under, any other name for at least the last five (5) years.

HAZARDOUS SUBSTANCES. The terms "hazardous waste," "hazardous substance," "disposal," "release," and "threatened release," as used in this Agreement, shall have the same meanings as set forth in the "CERCLA," "SARA," the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 49 U.S.C. Section 6901, et seq., Chapters 6.5 through 7.7 of Division 20 of the California Health and Safety Code, Section 25100, et seq., or other applicable state or Federal laws, rules, or regulations adopted pursuant to any of the foregoing. Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (a) During the period of Borrower's ownership of the properties, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any hazardous waste or substance by any person on, under, or about any of the properties. (b) Borrower has no knowledge of, or reason to believe that there has been (i) any use, generation, manufacture, storage, treatment, disposal, release, or threatened release of any hazardous waste or substance by any prior owners or occupants of any of the properties, or (ii) any actual or threatened litigation or claims of any kind by any person relating to such matters. (c) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the properties shall use, generate, manufacture, store, treat, dispose of, or release any hazardous waste or substance on, under, or about any of the properties; and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, including without limitation those laws, regulations and ordinances described above. Borrower authorizes Lender and its agents to enter upon the properties to make such inspections and tests as Lender may deem appropriate to determine compliance of the properties with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are

based on Borrower's due diligence in investigating the properties for hazardous waste. Borrower hereby (a) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for

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BUSINESS LOAN AGREEMENT
CONTINUED

cleanup or other costs under any such laws, and (b) agrees to indemnify and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release occurring prior to Borrower's ownership or interest in the properties, whether or not the same was or should have been known to Borrower. The provisions of this section of the Agreement, including the obligation to indemnify, shall survive the payment of the Indebtedness and the termination or expiration of this Agreement and shall not be affected by Lender's acquisition of any interest in any of the properties, whether by foreclosure or otherwise.

LITIGATION AND CLAIMS. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing.

TAXES. To the best of Borrower's knowledge, all tax returns and reports of Borrower that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

LIEN PRIORITY. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security Interests and rights in and to such Collateral.

BINDING EFFECT. This Agreement, the Note and all Security Agreements directly or indirectly securing repayment of Borrower's Loan and Note are binding upon Borrower as well as upon Borrower's successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

COMMERCIAL PURPOSES. Borrower intends to use the Loan proceeds solely for business or commercial related purposes.

EMPLOYEE BENEFIT PLANS. Each employee benefit plan as to which Borrower may have any liability complies in all material respects with all applicable requirements of law and regulations, and (i) no Reportable Event nor Prohibited Transaction (as defined in ERISA) has occurred with respect to any such plan, (ii) Borrower has not withdrawn from any such plan or initiated steps to do so, and (iii) no steps have been taken to terminate any such plan.

LOCATION OF BORROWER'S OFFICES AND RECORDS. The chief place of business of Borrower and the office or offices where Borrower keeps its records concerning the Collateral is located at 215 Moffett Park Drive, Sunnyvale, CA 94089.

INFORMATION. All information heretofore or contemporaneously herewith furnished by Borrower to Lender for the purposes of or in connection with this Agreement or any transaction contemplated

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BUSINESS LOAN AGREEMENT
CONTINUED

hereby is, and all information hereafter furnished by or on behalf of Borrower to Lender will be, true and accurate in every material respect on the date as of which such information is dated or certified; and none of such information is or will be incomplete by omitting to state any material fact necessary to make such information not misleading.

SURVIVAL OF REPRESENTATION AND WARRANTIES. Borrower understands and agrees that Lender is relying upon the above representations and warranties in extending Loan Advances to Borrower. Borrower further agrees that the foregoing representations and warranties shall be continuing in nature and shall remain in full force and effect until such time as Borrower's Loan and Note shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, while this Agreement is in effect, Borrower will:

LITIGATION. Promptly inform Lender in writing of (a) all material adverse changes in Borrower's financial condition, and (b) all litigation and claims and all threatened litigation and claims affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

FINANCIAL RECORDS. Maintain its books and records in accordance with generally accepted accounting principles, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

FINANCIAL STATEMENTS. Furnish Lender with, as soon as available, but in no event later than ninety (90) days after the end of each fiscal year, Borrower's balance sheet and income statement for the year ended, audited by a certified public accountant satisfactory to Lender, and, as soon as available, but in no event later than thirty (30) days after the end of each month, Borrower's balance sheet and profit and loss statement for the period ended, prepared and certified as correct to the best knowledge and belief by Borrower's chief financial officer or other officer or person acceptable to Lender. Borrower shall also furnish Lender, as soon as available, but in no event later than 5 days of filing with the Securities and Exchange Commission, Borrower's 10Q and 10K reports. All financial reports required to be provided under this Agreement shall be prepared in accordance with generally accepted accounting principles, applied on a consistent basis, and certified by Borrower as being true and correct.

ADDITIONAL INFORMATION. Furnish such additional information and statements, lists of assets and liabilities, agings of receivables and payables, inventory schedules, budgets, forecasts, tax returns, and other reports with respect to Borrower's financial condition and business operations as Lender may request from time to time.

FINANCIAL COVENANTS AND RATIOS. Comply with the following covenants and ratios:

Maintain on a quarterly basis, beginning March 31, 1995, a minimum quick ratio of 0.75 to 1.00; a minimum tangible net worth plus subordinated debt of \$35,000,000.00; and a maximum total debt minus subordinated debt to tangible net worth plus subordinated debt ratio of 3.00 to 1.00.

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BUSINESS LOAN AGREEMENT
CONTINUED

For purposes of this Agreement and to the extent the following terms are utilized in this Agreement, the term "Tangible Net Worth" shall mean Borrower's total assets excluding all intangible assets (i.e., goodwill, trademarks, patents, copyrights, organizational expenses, and similar intangible items, but including leaseholds and leasehold improvements) less total Debt. The term "Debt" shall mean all of Borrower's liabilities excluding Subordinated Debt. The term "Subordinated Debt" shall mean indebtedness and liabilities of Borrower which have been subordinated by written agreement to indebtedness owed by Borrower to Lender in form and substance acceptable to Lender. The term "Working Capital" shall mean Borrower's current assets, excluding prepaid expenses, less Borrower's current liabilities. The term "Liquid Assets" shall mean Borrower's cash on hand plus Borrower's receivables. The term "Cash Flow" shall mean net income after taxes, and exclusive of extraordinary gains and income, plus depreciation and amortization. Except as provided above, all computations made to determine compliance with the requirements contained in this paragraph shall be made in accordance with generally accepted accounting principles, applied on a consistent basis, and certified by Borrower as being true and correct.

INSURANCE. Maintain fire and other risk insurance, public liability insurance, and such other insurance in form, amounts, coverages and with insurance companies and of a type that are customary to businesses similar to Borrower's, and maintain with respect to Borrower's properties and operations, in such form, amounts, coverages and with insurance companies, as ordinarily maintained by other owners in similar businesses conducted in

the locations where Borrower's business is conducted on the date hereof. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such loss payable or other endorsements as Lender may require.

INSURANCE REPORTS. Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request, including without limitation the following: (a) the name of the insurer; (b) the risks insured; (c) the amount of the policy; (d) the properties insured; (e) the then current property values on the basis of which insurance has been obtained, and the manner of determining those values; and (f) the expiration date of the policy. In addition, upon request of Lender (however not more often than annually), Borrower will have an independent appraiser satisfactory to Lender determine, as applicable, the actual cash value or replacement cost of any Collateral.

OTHER AGREEMENTS. Comply with all material terms and conditions of all other material agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

LOAN PROCEEDS. Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

TAXES, CHARGES AND LIENS. Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every

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BUSINESS LOAN AGREEMENT
CONTINUED

kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits. Provided however, Borrower will not be required to pay and discharge any such assessment, tax, charge, levy, lien or claim so long as (a) the legality of the same shall be contested in good faith by appropriate proceedings, and (b) Borrower shall have established on its books adequate reserves with respect to such contested assessment, tax, charge, levy, lien, or claim in accordance with generally accepted accounting practices. Borrower, upon demand of Lender, will furnish to Lender evidence of payment of the assessments, taxes, charges, levies, liens and claims and will authorize the appropriate governmental official to deliver to Lender at any time a written statement of any assessments, taxes, charges, levies, liens and claims against Borrower's properties, income, or profits.

LOCKBOX ACCOUNT. Borrower shall enter into and maintain a lockbox agreement with Lender and a contingent blocked account amendment to the lockbox agreement with Lender for the benefit of IBM Credit Corporation.

PERFORMANCE. Perform and comply with all terms, conditions, and provisions set forth in this Agreement and in all other instruments and agreements between Borrower and Lender, including without limitation, an Intercreditor Agreement between Borrower, Lender and IBM Credit Corp., in a timely manner, and promptly notify Lender if Borrower learns of the occurrence of any event which constitutes an Event of Default under this Agreement.

OPERATIONS. Notify Lender of substantial changes in its present executive and management personnel; conduct its business affairs in a reasonable and prudent manner and in compliance with all applicable federal, state and municipal laws, ordinances, rules and regulations respecting its properties, charters, businesses and operations, including without limitation, compliance with the Americans With Disabilities Act and with all minimum funding standards and other requirements of ERISA and other laws applicable to Borrower's employee benefit plans.

INSPECTION. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer

software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

COMPLIANCE CERTIFICATE. Unless waived in writing by Lender, provide Lender NO LATER THAN 30 DAYS AFTER THE END OF EACH MONTH and at the time of each disbursement of Loan proceeds with a certificate executed by Borrower's chief financial officer, or other officer or person acceptable to Lender, certifying that the representations and warranties set forth in this Agreement are true and correct as of the date of the certificate and further certifying that, as of the date of the certificate, no Event of Default exists under this Agreement.

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BUSINESS LOAN AGREEMENT
CONTINUED

ENVIRONMENTAL COMPLIANCE AND REPORTS. Borrower shall comply in all respects with all environmental protection federal, state and local laws, statutes, regulations and ordinances; not cause or permit to exist, as a result of an intentional or unintentional action or omission on its part or on the part of any third party, on property owned and/or occupied by Borrower, any environmental activity where damage may result to the environment, unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal, state or local governmental authorities; shall furnish to Lender promptly and in any event within thirty (30) days after receipt thereof a copy of any notice, summons, lien, citation, directive, letter or other communication from any governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with any environmental activity whether or not there is damage to the environment and/or other natural resources.

ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE. Provide to Lender not later than 15 days after and as of the end of each month, with a Borrowing Base Certificate and aged lists of accounts receivable and accounts payable. Initial and annual accounts receivable audits to be performed by Lender's agent. Borrower's deposit account will be debited for the audit expense and a notification will be mailed to Borrower.

ADDITIONAL ASSURANCES. Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all Security Interests.

NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

INDEBTEDNESS AND LIENS. (a) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases; provided, however, that Borrower may enter into capital leases not to exceed an aggregate amount of \$10,000,000.00 at any one time, (b) sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets (other than any sale of obsolete inventory in the ordinary course of business and any licenses of technology in the ordinary course of business), or (c) sell with recourse any of Borrower's accounts, except to Lender.

CONTINUITY OF OPERATIONS. (a) Engage in any business activities substantially different than those in which Borrower is presently engaged, it being understood that the manufacture and/or sale of "Apple clones" pursuant to the Macintosh operating system license in favor of Borrower shall not constitute a business activity substantially different from that presently being conducted by Borrower (b) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change ownership, dissolve or transfer or sell Collateral out of the ordinary course of business, provided, however, that Borrower may sell obsolete inventory in the ordinary course of business, (c) pay any dividends on Borrower's stock (other than dividends payable in its stock), provided, however that notwithstanding the foregoing, but only so long as no Event of Default has occurred and is continuing or would result from the payment of dividends, if Borrower is a "Subchapter S Corporation" (as defined in the Internal Revenue Code of 1986, as amended), Borrower may pay cash dividends on its stock to its shareholders from time to time in amounts necessary to enable the shareholders to

BUSINESS LOAN AGREEMENT
CONTINUED

pay income taxes and make estimated income tax payments to satisfy their liabilities under federal and state law which arise solely from their status as Shareholders of a Subchapter S Corporation because of their ownership of shares of stock of Borrower, or (d) purchase or retire any of Borrower's outstanding shares, provided, however, that Borrower may purchase for cash from directors, officers and employees of Borrower shares of capital stock in connection with the termination of any such director's, officer's or employee's service to Borrower to the extent such purchases are consistent with past practices (which may not be changed without Lender's prior consent) and are in an aggregate amount not exceeding five hundred thousand dollars (\$500,000.00) per annum, or alter or amend Borrower's capital structure.

LOANS, ACQUISITIONS AND GUARANTIES. (a) Loan, invest in or advance money or assets, (b) purchase, create or acquire any interest in any other enterprise or entity, or (c) incur any obligation as surety or guarantor other than in the ordinary course of business.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (a) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender; (b) Borrower becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; (c) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; or (d) any Guarantor seeks, claims or otherwise attempts to limit, modify or revoke such Guarantor's guaranty of the Loan or any other loan with Lender.

LOAN ADVANCES. Lender, in its discretion, will make loans to Borrower, in amounts determined by Lender, up to the amounts as defined and permitted in the Agreement and Related Documents, including but not limited to any Promissory Notes, executed by Borrower (the "Credit Limit"). The Borrower is responsible for monitoring the total amount of Loans and Indebtedness outstanding from time to time, and Borrower shall not permit the same, at any time to exceed the Credit Limit. If at any time the total of all outstanding Loans and Indebtedness exceeds the Credit Limit, the Borrower shall immediately pay the amount of the excess to Lender, without notice or demand.

DEFAULT RATE. Upon default, including failure to pay upon final maturity, Lender, at its option, may do one or both of the following: (a) increase the variable interest rate on the Note to five percentage points (5.000%) over the Interest Rate otherwise payable thereunder, and (b) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in the Note.

BORROWING BASE FORMULA. Funds shall be advanced under the Note according to a borrowing base formula, as determined by Lender on a monthly basis, defined as follows: the lesser of (i) \$5,000,000.00 or (ii) the sum of forty percent (40%) of eligible foreign accounts receivable minus (a) the aggregate outstanding face amount of letters of credit issued under the Note, and (b) the aggregate outstanding gross amount of all Exchange Contracts. Eligible foreign accounts receivable shall include, but not be limited to, those accounts outstanding less than 90 days from the date of invoice, excluding all Canadian, government, contra and intercompany accounts; and exclude accounts wherein 50% or more of the account is outstanding more than 90 days from the date of invoice. Any account which alone exceeds 25% of total accounts will be ineligible to the extent said account exceeds 25% of total accounts. Also exclude any credit balances which are aged

BUSINESS LOAN AGREEMENT
CONTINUED

past 90 days. Also ineligible are any accounts which Lender in its sole judgment excludes for valid credit reasons.

LETTERS OF CREDIT. Subject to the terms of this Agreement, Lender shall issue or cause to be issued under the Note standby and commercial letters of credit for the account of Borrower for international sales. Each such letter of credit shall have an expiry date of no later than March 19, 1996. All such letters of credit shall be, in form and substance, acceptable to Lender in its sole discretion and shall be subject to the terms and conditions of Lender's form application and letter of credit agreement.

FOREIGN EXCHANGE. Subject to the terms of this Agreement, Borrower may utilize

up to \$5,000,000.00 for spot and future foreign exchange contracts (the "Exchange Contracts"). All Exchange Contracts must provide for delivery of settlement on or before March 19, 1996. The limit available at any time shall be reduced by the following amounts (the "Foreign Exchange Reserve") on each day (the "Determination Date"): (i) on all outstanding Exchange Contracts on which delivery is to be effected or settlement allowed more than two business days from the Determination Date, 10% of the gross amount of the Exchange Contracts; plus (ii) on all outstanding Exchange Contracts on which delivery is to be effected or settlement allowed within two business days after the Determination Date, 100% of the gross amount of the Exchange Contracts. In lieu of the Foreign Exchange Reserve for 100% of the gross amount of any Exchange Contract, the Borrower may request that Lender debit Borrower's bank account with Lender for such amount, provided Borrower has immediately available funds in such amounts in its bank account.

Lender may, in its discretion, terminate the Exchange Contracts at any time (a) that an Event of Default occurs or (b) that there is no sufficient availability under the Note and Borrower does not have available funds in its bank account to satisfy the Foreign Exchange Reserve. If Lender terminates the Exchange Contracts, and without limitation of the FX Indemnity Provisions (as referred to below), Borrower agrees to reimburse Lender for any and all fees, costs and expenses relating thereto or arising in connection therewith.

Borrower shall not permit the total gross amount of all Exchange Contracts on which delivery is to be effected and settlement allowed in any two business day period to be more than \$5,000,000.00 nor shall Borrower permit the total gross amount of all Exchange Contracts to which Borrower is a party, outstanding at any one time, to exceed \$5,000,000.00.

Borrower shall execute all standard form applications and agreements of Lender in connection with the Exchange Contracts, and without limiting any of the terms of such applications and agreements, Borrower will pay all standard fees and charges of Lender in connection with the Exchange Contracts.

Without limiting any of the other terms of this Agreement or any such standard form applications and agreement of Lender, Borrower agrees to indemnify Lender and hold it harmless, from and against any and all claims, debts, liabilities, demands, obligations, actions, costs and expenses (including, without limitation, attorneys fees of counsel of Lender's choice), of every nature and description which it may sustain or incur, based upon, arising out of, or in any way relating to any of the Exchange Contracts or any transactions relating thereto or contemplated thereby (collectively referred to as the "FX Indemnity Provisions").

EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

DEFAULT ON INDEBTEDNESS. Failure of Borrower to make any payment when due on the Loans.

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BUSINESS LOAN AGREEMENT
CONTINUED

OTHER DEFAULTS. Failure of Borrower or any Grantor to comply with or to perform when due any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents, or failure of Borrower to comply with or to perform any other term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

DEFAULT IN FAVOR OF THIRD PARTIES. Should Borrower or any Grantor default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's or any Grantor's ability to repay the Loans or perform their respective obligations under this Agreement or any of the Related Documents, including, without limitation, any default by Borrower under any agreement between Borrower and IBM Credit Corporation.

FALSE STATEMENTS. Any warranty, representation or statement made or furnished to Lender by or on behalf of Borrower or any Grantor under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished.

DEFECTIVE COLLATERALIZATION. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any Security Agreement to create a valid and perfected Security Interest) at any time and for any reason.

INSOLVENCY. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver

for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

CREDITOR OR FORFEITURE PROCEEDINGS. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower, any creditor of any Grantor against any collateral securing the Indebtedness, or by any governmental agency. This includes a garnishment, attachment, or levy on or of any of Borrower's deposit accounts with Lender.

EVENTS AFFECTING GUARANTOR. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or such Guarantor dies or becomes incompetent or any Guarantor revokes any guaranty of the Indebtedness.

CHANGE IN OWNERSHIP. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate (including any obligation to make Loan Advances or disbursements), and, at Lender's option, all Loans immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

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BUSINESS LOAN AGREEMENT
CONTINUED

AMENDMENTS. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

APPLICABLE LAW. THIS AGREEMENT HAS BEEN DELIVERED TO LENDER AND ACCEPTED BY LENDER IN THE STATE OF CALIFORNIA. IF THERE IS A LAWSUIT, BORROWER AGREES UPON LENDER'S REQUEST TO SUBMIT TO THE JURISDICTION OF THE COURTS OF SANTA CLARA COUNTY, THE STATE OF CALIFORNIA. (INITIAL HERE _____) Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

CAPTION HEADINGS. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

MULTIPLE PARTIES; CORPORATE AUTHORITY. All obligations of Borrower under this Agreement shall be joint and several, and all references to Borrower shall mean each and every Borrower. This means that each of the persons signing below is responsible for ALL obligations in this Agreement.

CONSENT TO LOAN PARTICIPATION. Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more participation interests in the Loans to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby consents to such disclosure. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loans and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loans irrespective of the failure or insolvency of any holder of any interest in the Loans. Borrower further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

COSTS AND EXPENSES. Borrower agrees to pay upon demand all of Lender's out-of-pocket expenses, including without limitation attorneys' fees, incurred in connection with the preparation, execution, enforcement and collection of this Agreement or in connection with the Loans made pursuant to this Agreement. Lender may pay someone else to help collect the Loans and to enforce this Agreement, and Borrower will pay that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also will pay any court costs, in addition to all other sums provided by law.

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BUSINESS LOAN AGREEMENT
CONTINUED

NOTICES. All notices required to be given under this Agreement shall be given in writing and shall be effective when actually delivered or when deposited with a nationally recognized overnight courier or deposited in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given at the address shown above. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. To the extent permitted by applicable law, if there is more than one Borrower, notice to any Borrower will constitute notice to all Borrowers. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address(es).

SEVERABILITY. If a court of competent jurisdiction finds any provision of this Agreement to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Agreement in all other respects shall remain valid and enforceable.

SUBSIDIARIES AND AFFILIATES OF BORROWER. To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used herein shall include all subsidiaries and affiliates of Borrower. Notwithstanding the foregoing however, under no circumstances shall this Agreement be construed to require Lender to make any Loan or other financial accommodation to any subsidiary or affiliate of Borrower.

SUCCESSORS AND ASSIGNS. All covenants and agreements contained by or on behalf of Borrower shall bind its successors and assigns and shall inure to the benefit of Lender, its successors and assigns. Borrower shall not, however, have the right to assign its rights under this Agreement or any interest therein, without the prior written consent of Lender.

SURVIVAL. All warranties, representations, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement shall be considered to have been relied upon by Lender and will survive the making of the Loan and delivery to Lender of the Related Documents, regardless of any investigation made by Lender or on Lender's behalf.

TIME IS OF THE ESSENCE. Time is of the essence in the performance of this Agreement.

WAIVER. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, or between Lender and any Grantor, shall constitute a waiver of any of Lender's rights or of any obligations of Borrower or of any Grantor as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent in subsequent instances where such consent is required, and in all cases such consent may be granted or withheld in the sole discretion of Lender.

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BUSINESS LOAN AGREEMENT
CONTINUED

CONDITION. The effectiveness of this Business Loan Agreement is subject to (i) a Subordination Agreement (ii) an Amendment to Contingent Blocked Account, and (iii) an Amendment to Lockbox Agreement between Borrower, Lender and IBM Credit Corporation.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT, AND BORROWER AGREES TO ITS TERMS. THIS AGREEMENT IS DATED AS OF MARCH 20, 1995.

BORROWER:

RADIUS INC.

BY: /s/ Robert W. Saltmarsh /s/ David Pine

NAME: ROBERT W. SALTMARSH DAVID PINE

TITLE: VP FINANCE & CFO GENERAL COUNSEL & SECRETARY

LENDER:

SILICON VALLEY BANK

BY: _____
NAME: _____
TITLE: _____

BY: _____
NAME: _____
TITLE: _____

<TABLE>
<CAPTION>

BORROWING BASE CERTIFICATE
COLLATERAL SCHEDULE

<S><C>

BORROWER: RADIUS INC. LENDER: Silicon Valley Bank
45 William Street
Wellesley, MA 02181

Commitment Amount: \$5,000,000.00

FOREIGN ACCOUNTS RECEIVABLE

1. Foreign Accounts Receivable Book Value of	-----	\$	-----
2. Additions (please explain on reverse)		\$	-----
3. TOTAL FOREIGN ACCOUNTS RECEIVABLE		\$	-----

FOREIGN ACCOUNTS RECEIVABLE DEDUCTIONS

4. Amounts over 90 days	\$	-----
5. Balance of 50% over 90 day accounts	\$	-----
6. Excess 25% concentration	\$	-----
7. Credit Balances over 90 days	\$	-----
8. Canadian Accounts	\$	-----
9. Governmental Accounts	\$	-----
10. Contra Accounts	\$	-----
11. Promotion of Demo Accounts	\$	-----
12. Intercompany/Employee Accounts	\$	-----

13. Other (please explain on reverse)	\$	-----	
14. TOTAL ACCOUNTS RECEIVABLE DEDUCTIONS			\$

15. Eligible Accounts (#3 - #14)			\$

16. Loan Value of Accounts (40% Advance)	\$	-----	
17. TOTAL AVAILABLE BASE			\$

BALANCES			
18. Maximum Loan Amount			\$5,000,000.00
19. Total Funds Available (Lesser of #18 or #17)	\$	-----	
20. Present balance owing on Line of Credit	\$	-----	
21. Outstanding under F/X and L/C Line	\$	-----	
22. RESERVE POSITION (#19 - (#20 + #21))			\$

The undersigned represents and warrants that the foregoing is true, complete and correct, and that the information reflected in this Collateral Schedule complies with the representations and warranties set forth in the Security Agreement and in the Business Loan Agreement, as amended from time to time, between the undersigned and Silicon Valley Bank dated March 28, 1995

SINCERELY,

RADIUS INC.

By: _____
Name: _____
Title: _____

BANK USE ONLY
RECEIVED BY: _____
DATE: _____
VERIFIED BY: _____

</TABLE>

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK
2202 North First Street
San Jose, CA 95131

FROM: RADIUS, INC.
Commitment amount \$5,000,000.00

The undersigned authorized officer of RADIUS, INC. ("BORROWER"), hereby certifies that in accordance with the terms and conditions of the Business Loan Agreement between Borrower and Bank (the "Agreement"), (i) Borrower is in complete compliance for the period ending _____ of all required conditions and terms except as noted below and (ii) all representations and warranties of Borrower stated in the Agreement are true, accurate and complete in all material respects as of the date hereof. Attached herewith are the required documents supporting the above certification. The Officer further certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistent from one period to the next except as explained in an accompanying letter or footnotes.

PLEASE INDICATE COMPLIANCE STATUS BY CIRCLING YES/NO UNDER "COMPLIES" COLUMN.

REPORTING COVENANT	REQUIRED	COMPLIES
Interim Financial Statements + CC	Monthly w/in 30 days	YES/NO
Annual (CPA audited)	FYE w/in 90 days	YES/NO
A/R & A/P Agings	Monthly w/in 15 days	YES/NO
A/R Audit	Annual	YES/NO

<TABLE>
<CAPTION>

FINANCIAL COVENANT	REQUIRED	ACTUAL	COMPLIES
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MAINTAIN ON A QUARTERLY BASIS, UNLESS OTHERWISE NOTED:

<S>	<C>	<C>	<C>
Min. Tang. Net Worth	\$35,000,000.00	\$ _____	YES/NO
Minimum Quick Ratio	0.75:1.00	_____:1.00	YES/NO
Max. Debt/TNW	3.00:1.00	_____:1.00	YES/NO

</TABLE>

COMMENTS REGARDING EXCEPTIONS: -----

BANK USE ONLY
RECEIVED BY: -----
DATE: -----
VERIFIED BY: -----
COMPLIANCE STATUS: YES/NO

Sincerely,
Radius, Inc.

By: -----
Name: -----
Title: -----

COMMERCIAL SECURITY AGREEMENT

BORROWER: RADIUS INC.
215 MOFFETT PARK DRIVE
SUNNYVALE, CA 94089

LENDER: SILICON VALLEY BANK
SANTA CLARA TECHNOLOGY
3000 LAKESIDE DRIVE
SANTA CLARA, CA 95054

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THIS COMMERCIAL SECURITY AGREEMENT IS ENTERED INTO BETWEEN RADIUS INC. (REFERRED TO BELOW AS "GRANTOR"); AND SILICON VALLEY BANK (REFERRED TO BELOW AS "LENDER"). FOR VALUABLE CONSIDERATION, GRANTOR GRANTS TO LENDER A SECURITY INTEREST IN THE COLLATERAL TO SECURE THE INDEBTEDNESS AND AGREES THAT LENDER SHALL HAVE THE RIGHTS STATED IN THIS AGREEMENT WITH RESPECT TO THE COLLATERAL, IN ADDITION TO ALL OTHER RIGHTS WHICH LENDER MAY HAVE BY LAW.

DEFINITIONS. The following words shall have the following meanings when used in this Agreement. Terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. All references to dollar amounts shall mean amounts in lawful money of the United States of America.

AGREEMENT. The word "Agreement" means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

COLLATERAL. The word "Collateral" means the following described property of Grantor, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- A) ALL INVENTORY AND EQUIPMENT, AND ALL PARTS THEREOF, ATTACHMENTS, ACCESSORIES AND ACCESSIONS THERETO, PRODUCTS THEREOF AND DOCUMENTS THEREFOR;
- B) ALL ACCOUNTS, CONTRACT RIGHTS, CHATTEL PAPER, INSTRUMENTS, DEPOSIT ACCOUNTS, OBLIGATIONS OF ANY KIND OWING TO GRANTOR, WHETHER OR NOT ARISING OUT OF OR IN CONNECTION WITH THE SALE OR LEASE OF GOODS OR THE RENDERING OF SERVICES AND ALL BOOKS, INVOICES, DOCUMENTS AND OTHER RECORDS IN ANY FORM EVIDENCING OR RELATING TO ANY OF THE FOREGOING;
- C) GENERAL INTANGIBLES, EXCLUDING PATENTS, TRADEMARKS, TRADE NAMES AND COPYRIGHTS, BUT INCLUDING THE RIGHT OF GRANTOR TO RECEIVE PAYMENT IN RESPECT OF PATENTS, TRADEMARKS, TRADE NAMES AND COPYRIGHTS;
- D) ALL RIGHTS NOW OR HEREAFTER EXISTING IN AND TO ALL MORTGAGES, SECURITY AGREEMENTS, LEASES OR OTHER CONTRACTS SECURING OR OTHERWISE RELATING TO ANY OF THE FOREGOING; AND
- E) ALL SUBSTITUTIONS AND REPLACEMENTS FOR ALL OF THE FOREGOING, ALL

PROCEEDS OF ALL OF THE FOREGOING AND, TO THE EXTENT NOT OTHERWISE INCLUDED, ALL PAYMENTS UNDER INSURANCE OR ANY INDEMNITY, WARRANTY OR GUARANTY, PAYABLE BY PAYMENTS UNDER INSURANCE OR ANY

In addition, the word "Collateral" includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (a) All attachments, accessions, accessories, tools, parts, supplies, increases, and additions to and all replacements of and substitutions for any property described above.
- (b) All products and produce of any of the property described in this Collateral section.
- (c) All accounts, contract rights, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, or other disposition of any of the property described in this Collateral section.
- (d) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section.
- (e) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

EVENT OF DEFAULT. The words "Event of Default" mean and include without limitation any of the Events of Default set forth below in the section titled "Events of Default."

GRANTOR. The word "Grantor" means RADIUS INC., its successors and assigns GUARANTOR. The word "Guarantor" means and includes without limitation each and all of the guarantors, sureties, and accommodation parties in connection with the Indebtedness.

INDEBTEDNESS. The word "Indebtedness" means the indebtedness evidenced by the Note, including all principal and interest, together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement or under any of the Related Documents.

LENDER. The word "Lender" means Silicon Valley Bank, its successors and assigns.

NOTE. The word "Note" means the notes, credit agreements or letters of credit in any principal amount from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of and substitutions for the notes, credit agreements, or letters of credit.

RELATED DOCUMENTS. The words "Related Documents" mean and include without limitation all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

03-20-1995 COMMERCIAL SECURITY AGREEMENT PAGE 2
(CONTINUED)

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OBLIGATIONS OF GRANTOR. Grantor warrants and covenants to Lender as follows:

PERFECTION OF SECURITY INTEREST. Grantor agrees to execute such financing statements and to take whatever other actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper if not delivered to Lender for possession by Lender. Grantor hereby appoints Lender as its irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect or to continue the security interest granted in this Agreement. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral. Grantor promptly will notify Lender before any change in Grantor's name including any change to the assumed business names of Grantor. THIS IS A CONTINUING SECURITY AGREEMENT AND WILL CONTINUE IN EFFECT EVEN THOUGH ALL OR ANY PART OF THE INDEBTEDNESS IS PAID IN FULL AND EVEN THOUGH FOR A PERIOD OF TIME GRANTOR MAY NOT BE INDEBTED TO LENDER. NO VIOLATION. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party, and its certificate or articles of incorporation and bylaws do not prohibit any term or condition of this Agreement. ENFORCEABILITY OF COLLATERAL. To the extent the Collateral consists of accounts, contract rights, chattel paper, or general intangibles, the

Collateral is enforceable in accordance with its terms, is genuine, and complies with applicable laws concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral.

LOCATION OF THE COLLATERAL. Grantor, upon request of Lender, will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (a) all real property owned or being purchased by Grantor; (b) all real property being rented or leased by Grantor; (c) all storage facilities owned, rented, leased, or being used by Grantor; and (d) all other properties where Collateral is or may be located. Except in the ordinary course of its business, Grantor shall not remove the Collateral from its existing locations without the prior written consent of Lender.

REMOVAL OF COLLATERAL. Grantor shall keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts, the records concerning the Collateral) at Grantor's address shown above, or at such other locations as are acceptable to Lender. Except in the ordinary course of its business, including the storage, shipping sales of inventory, Grantor shall not remove the Collateral from its existing locations without the prior written consent of Lender; provided, however, that Grantor shall not store any Collateral outside the State of California without obtaining Lender's prior written consent. To the extent that the Collateral consists of vehicles, or other titled property, Grantor shall not take or permit any action which would require application for certificates of title for the vehicles outside the State of California, without the prior written consent of Lender.

TRANSACTIONS INVOLVING COLLATERAL. Except for inventory sold or accounts collected in the ordinary course of Grantor's business, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. While Grantor is not in default under this Agreement, Grantor may sell inventory, but only in the ordinary course of its business and only to buyers who qualify as a buyer in the ordinary course of business. A sale in the ordinary course of Grantor's business does not include a transfer in partial or total satisfaction of a debt or any bulk sale. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

TITLE. Grantor represents and warrants to Lender that it holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

COLLATERAL SCHEDULES AND LOCATIONS. Insofar as the Collateral consists of inventory, Grantor shall deliver to Lender, as often as Lender shall require, such lists, descriptions, and designations of such Collateral as Lender may require to identify the nature, extent, and location of such Collateral. Such information shall be submitted for Grantor and each of its subsidiaries or related companies.

MAINTENANCE AND INSPECTION OF COLLATERAL. Grantor shall maintain all tangible Collateral in good condition and repair. Grantor will not commit or permit damage to or destruction of the Collateral or any part of the Collateral. Lender and its designated representatives and agents shall have the right at all reasonable times to examine, inspect, and audit the Collateral wherever located. Grantor shall notify Lender within thirty (30) days of all material cases involving the return, rejection, repossession, loss or damage of or to any Collateral; of any material request for credit or adjustment or of any other dispute arising with respect to the Collateral; and generally of all material happenings and events affecting the Collateral or the value or the amount of the Collateral.

TAXES, ASSESSMENTS AND LIENS. Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment

before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

COMPLIANCE WITH GOVERNMENTAL REQUIREMENTS. Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

HAZARDOUS SUBSTANCES. Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any hazardous waste or substance, as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499

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("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 49 U.S.C. Section 6901, et seq., Chapters 6.5 through 7.7 of Division 20 of the California Health and Safety Code, Section 25100, et seq., or other applicable state or Federal laws, rules, or regulations adopted pursuant to any of the foregoing. The terms "hazardous waste" and "hazardous substance" shall also include, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for hazardous wastes and substances. Grantor hereby (a) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws, and (b) agrees to indemnify and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

MAINTENANCE OF CASUALTY INSURANCE. Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if it so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

APPLICATION OF INSURANCE PROCEEDS. Grantor shall promptly notify Lender of any loss or damage to the Collateral. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

INSURANCE RESERVES. Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The

reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

INSURANCE REPORTS. Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (a) the name of the insurer; (b) the risks insured; (c) the amount of the policy; (d) the property insured; (e) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (f) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

GRANTOR'S RIGHT TO POSSESSION. Until default, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

EXPENDITURES BY LENDER. If not discharged or paid when due, Lender may (but shall not be obligated to) discharge or pay any amounts required to be discharged or paid by Grantor under this Agreement, including without limitation all taxes, liens, security interests, encumbrances, and other claims, at any time levied or placed on the Collateral. Lender also may (but shall not be obligated to) pay all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses shall become a part of the Indebtedness and, at Lender's option, will (a) be payable on demand, (b) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (i) the term of any applicable insurance policy or (ii) the remaining term of the Note, or (c) be treated as a balloon payment which will be due and payable at the Note's maturity. This Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon the occurrence of an Event of Default.

EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

DEFAULT ON INDEBTEDNESS. Failure of Grantor to make any payment when due on the Indebtedness.

OTHER DEFAULTS. Failure of Grantor to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or in any other agreement between Lender and Grantor.

INSOLVENCY. The dissolution or termination of Grantor's existence as a going business, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

CREDITOR OR FORFEITURE PROCEEDINGS. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against the Collateral or any other collateral securing the Indebtedness. This includes a garnishment of any of Grantor's deposit accounts with Lender.

EVENTS AFFECTING GUARANTOR. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or such Guarantor dies or becomes incompetent.

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RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the California Uniform Commercial Code. In addition and without

limitation, Lender may exercise any one or more of the following rights and remedies:

ACCELERATE INDEBTEDNESS. Lender may declare the entire Indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice.

ASSEMBLE COLLATERAL. Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

SELL THE COLLATERAL. Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in its own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor reasonable notice of the time after which any private sale or any other intended disposition of the Collateral is to be made. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days, or such lesser time as required by state law, before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

APPOINT RECEIVER. To the extent permitted by applicable law, Lender shall have the following rights and remedies regarding the appointment of a receiver: (a) Lender may have a receiver appointed as a matter of right, (b) the receiver may be an employee of Lender and may serve without bond, and (c) all fees of the receiver and his or her attorney shall become part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

COLLECT REVENUES, APPLY ACCOUNTS. Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in its discretion transfer any Collateral into its own name or that of its nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

OBTAIN DEFICIENCY. If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

OTHER RIGHTS AND REMEDIES. Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

CUMULATIVE REMEDIES. All of Lender's rights and remedies, whether evidenced by this Agreement or the Related Documents or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and to exercise its remedies.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

AMENDMENTS. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

APPLICABLE LAW. This Agreement has been delivered to Lender and accepted by Lender in the State of California. If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of Santa Clara County, State of California. (INITIAL HERE _____) Lender and Grantor hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Grantor against the other. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

ATTORNEYS' FEES; EXPENSES. Grantor agrees to pay upon demand all of Lender's costs and expenses, including attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (and including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

CAPTION HEADINGS. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

MULTIPLE PARTIES; CORPORATE AUTHORITY. All obligations of Grantor under this Agreement shall be joint and several, and all references to Grantor shall mean each and every Grantor. This means that each of the persons signing below is responsible for ALL obligations in this Agreement.

NOTICES. All notices required to be given under this Agreement shall be given in writing and shall be effective when actually delivered or when deposited with a nationally recognized overnight courier or deposited in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given at the address shown above. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. To the extent permitted by applicable law, if there is more than one Grantor, notice to any Grantor will constitute notice to all Grantors. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address(es).

POWER OF ATTORNEY. Grantor hereby appoints Lender as its true and lawful attorney-in-fact, irrevocably, with full power of substitution to do the following: (a) to demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from the Collateral; (b) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in payment for the Collateral; (c) to settle or compromise any and all claims arising under the Collateral, and, in the place and stead of Grantor, to execute and deliver its release and settlement for the claim; and (d) to file any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name of Grantor, or otherwise, which in the discretion of Lender may seem to be necessary or advisable. This power is given as security for the Indebtedness, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by Lender.

PREFERENCE PAYMENTS. Any monies Lender pays because of an asserted preference claim in Borrower's bankruptcy will become a part of the Indebtedness and, at Lender's option, shall be payable by Borrower as provided above in the "EXPENDITURES BY LENDER" paragraph.

SEVERABILITY. If a court of competent jurisdiction finds any provision of this Agreement to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Agreement in all other respects shall remain valid and enforceable.

SUCCESSOR INTERESTS. Subject to the limitations set forth above on transfer of the Collateral, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns.

WAIVER. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any

future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

WAIVER OF CO-OBLIGOR'S RIGHTS. If more than one person is obligated for the Indebtedness, Borrower irrevocably waives, disclaims and relinquishes all claims against such other person which Borrower has or would otherwise have by virtue of payment of the Indebtedness or any part thereof, specifically including but not limited to all rights of indemnity, contribution or exoneration.

ADDITIONAL PROVISION. If any law is passed that requires additional action on the part of Lender, Grantor shall fully cooperate with Lender in complying with the law and accordingly, shall reimburse Lender for all costs and expenses which Lender incurs to comply with the law.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT, AND GRANTOR AGREES TO ITS TERMS. THIS AGREEMENT IS DATED MARCH 20, 1995.

GRANTOR:

RADIUS INC.

BY: /s/ Robert W. Saltmarsh

NAME: Robert W. Saltmarsh

TITLE: VP Finance & CFO

BY: /s/ David Pine

NAME: David Pine

TITLE: General Counsel & Secretary

CORPORATE RESOLUTION TO BORROW

BORROWER: RADIUS INC. 215 MOFFETT PARK DRIVE SUNNYVALE, CA 94089 LENDER: SILICON VALLEY BANK 3000 LAKESIDE DRIVE SANTA CLARA, CA 95054

I, the undersigned Secretary or Assistant Secretary of Radius Inc. (the "Corporation"), hereby certify that the Corporation is organized and existing by virtue of the laws of the State of California as a corporation for profit, with its principal office at 215 Moffett Park Drive, Sunnyvale, CA 94089.

I FURTHER CERTIFY that at a meeting of the Directors of the Corporation (or by duly authorized corporate action in lieu of a meeting), duly called and to be held on April 25, 1995, at which a quorum will be present and voting, the following resolutions will be adopted and ratified as of March 31, 1995:

BE IT RESOLVED, that any one (1) of the following named officers, employees, or agents of this Corporation, whose actual signatures are shown below:

Table with 3 columns: NAMES, POSITIONS, ACTUAL SIGNATURES. Rows include Robert Saltmarsh (CFO), Cherrie Jurado (Controller), and Kathy Lanterman (Assistant Treasurer).

acting for and on behalf of this Corporation and as its act and deed be, and they hereby are, authorized and empowered:

BORROW MONEY. To borrow from time to time from SILICON VALLEY BANK ("Lender"), on such terms as may be agreed upon between the officers, employees, or agents and Lender, such sum or sums of money as in their judgement should be borrowed, without limitation.

EXECUTE NOTES. To execute and deliver to Lender the promissory note or notes of the Corporation, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any indebtedness of the Corporation to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, or any portion of the notes.

GRANT SECURITY. To mortgage, pledge, hypothecate, or otherwise encumber and deliver to Lender, as security for the payment of any loans so obtained, any promissory notes so executed, or any other or further indebtedness of the Corporation to Lender at any time owing, however the same may be evidenced, any property now or hereafter belonging to the Corporation or in which the Corporation now or hereafter may have an interest, including without limitation, all real property and all personal property of the Corporation. Such property may be mortgaged, pledged, hypothecated, or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, hypothecated, or encumbered.

H:\WPFILES\CORPRESO

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CORPORATE RESOLUTION TO BORROW
CONTINUED

EXECUTE SECURITY DOCUMENTS. To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which may be submitted by Lender, and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which they may in their discretion deem reasonably necessary to proper in connection with or pertaining to the giving of the liens and encumbrances. Notwithstanding the foregoing, any one of the above authorized officers, employees, or agents may execute, deliver, or record financing statements.

NEGOTIATE ITEMS. To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the account of the Corporation with Lender, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

LETTER OF CREDIT. To execute letter of credit applications and other related documents pertaining to Lender's issuance of letters of credit.

FOREIGN EXCHANGE CONTRACTS. To execute and deliver foreign exchange contracts, either spot or forward, from time to time, in such amount as, in the judgment of the officer or officers herein authorized.

FURTHER ACTS. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances thereunder, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements, INCLUDING AGREEMENTS WAIVING THE RIGHT TO A TRIAL BY JURY, as they may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of these Resolutions.

BE IT FURTHER RESOLVED, that any and all acts authorized pursuant to these resolutions and performed prior to the passage of these resolutions are hereby ratified and approved, that these resolutions shall remain in full force and effect and Lender may rely on these resolutions until written notice of their revocations shall have been delivered to and received by Lender. Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice is given.

I FURTHER CERTIFY that the officers, employees, and agents named above are duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupy the positions set opposite their respective names; that the foregoing resolutions now stand or record on the books of the Corporation; and that the resolutions are in full force and effect and have not been modified or revoked in any manner whatsoever.

H:\WPFILES\CORPRESO

CORPORATE RESOLUTION TO BORROW
CONTINUED

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of the Corporation on March 20, 1995 and attest that the signatures set opposite the names listed above are their genuine signatures.

CERTIFIED TO AND ATTESTED BY:

X /s/ David Pine

*Secretary or Assistant Secretary

X David Pine

*Note: In case the secretary or other certifying officer is designated by the foregoing resolutions as one of the signing officers, this certificate should also be signed by a second Officer or Director of the Corporation.

H:\WPFILES\CORPRESO

<TABLE>
<CAPTION>

STATE OF CALIFORNIA
UNIFORM COMMERCIAL CODE - FINANCING STATEMENT - FORM UCC-1

This financing Statement is presented for filing and will remain effective, with certain exceptions, for five years from the date of filing, pursuant to Section 8403 of the California Uniform Commercial Code.

<S><C>
1. DEBTOR
RADIUS, INC. 1A. SOCIAL SECURITY OR FEDERAL TAX NO.
68-0101030

1B. MAILING ADDRESS 1C. CITY, STATE 1D. ZIP CODE
214 MOFFETT PARK DRIVE SUNNYVALE, CA 94089

2. ADDITIONAL DEBTOR 2A. SOCIAL SECURITY OR FEDERAL TAX NO.

2B. MAILING ADDRESS 2C. CITY, STATE 2D. ZIP CODE

3. DEBTOR'S TRADE NAMES OR STYLES 3A. FEDERAL TAX NUMBER

4. SECURED PARTY 4A. FEDERAL TAX NO.
SILICON VALLEY BANK
SANTA CLARA TECHNOLOGY
3000 LAKESIDE DRIVE
SANTA CLARA, CA 95054

5. ASSIGNEE OF SECURED PARTY 5A. FEDERAL TAX NO.

6. This FINANCING STATEMENT covers the following type of property:
SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF BY REFERENCE.

7A. /X/ PRODUCTS OR COLLATERAL ARE ALSO COVERED 7B. DEBTOR(S) SIGNATURE NOT REQUIRED IN ACCORDANCE WITH INSTRUCTION 5(a) ITEM:
/ / (1) / / (2) / / (3) / / (4)

8. / / DEBTOR IS A "TRANSMITTING UTILITY" IN ACCORDANCE WITH UCC SECTION 9105 (1) (n)

9. DATE: 03-20-1995 C 10. THIS SPACE FOR USE OF FILING

1

2

3
>
SIGNATURE(S) OF SECURED PARTY(IES) 4

SILICON VALLEY BANK 5

6

11. Return copy to: 7

SILICON VALLEY BANK 8
ATTN: LOAN SERVICES
2202 N. FIRST STREET 9
SAN JOSE, CA 96131 0

FORM UCC-1

</TABLE>

ATTACHMENT A

All of Debtor's right, title and interest in and to the following property,
whether now owned or hereafter acquired or existing and wherever located:

- A) all inventory and equipment, and all parts thereof, attachments, accessories and accession thereto, products thereof and documents therefor;
- B) all accounts, contract rights, chattel paper, instruments, deposit accounts, obligations of any kind owing to Debtor, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services and all books, invoices, documents and other records in any form evidencing or relating to any of the foregoing;
- C) general intangibles, excluding patents, trademarks, trade names and copyrights, but including the right of Debtor to receive payment in respect of patents, trademarks, trade names and copyrights;
- D) all rights now or hereafter existing in and to all mortgages, security agreements, leases or other contracts securing or otherwise relating to any of the foregoing; and
- E) all substitutions and replacements for all of the foregoing, all proceeds of all of the foregoing and, to the extent not otherwise included, all payments under insurance or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing.

PROMISSORY NOTE

BORROWER: RADIUS INC. LENDER: SILICON VALLEY BANK
215 MOFFETT PARK DRIVE SANTA CLARA TECHNOLOGY
SUNNYVALE, CA 94089 3000 LAKESIDE DRIVE
SANTA CLARA, CA 95054

=====

PRINCIPAL AMOUNT: \$5,000,000.00 INITIAL RATE: 10.250% DATE OF NOTE: MARCH 20,
1995

PROMISE TO PAY. RADIUS INC. ("BORROWER") PROMISES TO PAY TO SILICON VALLEY BANK ("LENDER"), OR ORDER, IN LAWFUL MONEY OF THE UNITED STATES OF AMERICA, THE PRINCIPAL AMOUNT OF FIVE MILLION & 00/100 DOLLARS (\$5,000,000.00) OR SO MUCH AS MAY BE OUTSTANDING, TOGETHER WITH INTEREST ON THE UNPAID OUTSTANDING PRINCIPAL BALANCE OF EACH ADVANCE. INTEREST SHALL BE CALCULATED FROM THE DATE OF EACH ADVANCE UNTIL REPAYMENT OF EACH ADVANCE.

PAYMENT. BORROWER WILL PAY THIS LOAN IN ONE PAYMENT OF ALL OUTSTANDING PRINCIPAL PLUS ALL ACCRUED UNPAID INTEREST ON MARCH 19, 1996. IN ADDITION, BORROWER WILL PAY REGULAR MONTHLY PAYMENTS OF ACCRUED UNPAID INTEREST BEGINNING APRIL 19, 1995, AND ALL SUBSEQUENT INTEREST PAYMENTS ARE DUE ON THE SAME DAY OF

EACH MONTH AFTER THAT. Interest on this Note is computed on a 365/360 simple interest basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing. Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs and late charges.

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an index which is Lender will tell Borrower the current Index rate upon Borrower's request. Borrower understands that Lender may make loans based on other rates as well. THE INDEX CURRENTLY IS 9.000% PER ANNUM.

THE INTEREST RATE TO BE APPLIED TO THE UNPAID PRINCIPAL BALANCE OF THIS NOTE WILL BE AT A RATE OF 1.250 PERCENTAGE POINTS OVER THE INDEX, RESULTING IN AN INITIAL RATE OF 10.250% PER ANNUM. NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, they will reduce the principal balance due.

DEFAULT. Borrower will be in default if any of the following happens: (a) Borrower fails to make any payment when due. (b) Borrower breaks any promise Borrower has made to Lender, or Borrower fails to perform promptly at the time and strictly in the manner provided in this Note or any agreement related to this Note, or in any other agreement or loan Borrower has with Lender. (c) Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the Related Documents. (d) Any representation or statement made or furnished to Lender by Borrower or on Borrower's behalf is false or misleading in any material respect. (e) Borrower becomes insolvent, a receiver is appointed for any part of Borrower's property, Borrower makes an assignment for the benefit of creditors, or any proceeding is commenced either by Borrower or against Borrower under any bankruptcy or insolvency laws. (f) Any creditor tries to take any of Borrower's property on or in which Lender has a lien or security interest. This includes a garnishment of any of Borrower's accounts with Lender. (g) Any of the events described in this default section occurs with respect to any guarantor of this Note.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance on this Note and all accrued unpaid interest immediately due, without notice, and then Borrower will pay that amount. Upon Borrower's failure to pay all amounts declared due pursuant to this section, including failure to pay upon final maturity, Lender, at its option, may also, if permitted under applicable law, do one or both of the following: (a) increase the variable interest rate on this Note to 6.250 percentage points over the Index, and (b) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note (including any increased rate). Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower also will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also will pay any court costs, in addition to all other sums provided by law. THIS NOTE HAS BEEN DELIVERED TO LENDER AND ACCEPTED BY LENDER IN THE STATE OF CALIFORNIA. IF THERE IS A LAWSUIT, BORROWER AGREES UPON LENDER'S REQUEST TO SUBMIT TO THE JURISDICTION OF THE COURTS OF SANTA CLARA COUNTY, THE STATE OF CALIFORNIA. (INITIAL HERE _____) Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other. This Note shall be governed by and construed in accordance with the laws of the State of California.

LINE OF CREDIT. This Note evidences a revolving line of credit. Advances under this Note, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by Borrower or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. Borrower agrees to be liable for all sums either: (a) advanced in accordance with the instructions of an authorized person or (b) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Note if: (a) Borrower or any guarantor is

in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (b) Borrower or any guarantor ceases doing business or is insolvent; (c) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; or (d) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender.

03-20-1995 PROMISSORY NOTE PAGE 2
(CONTINUED)

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REQUEST TO DEBIT ACCOUNTS. Borrower will regularly deposit all funds received from its business activities in accounts maintained by Borrower at SILICON VALLEY BANK. Borrower hereby requests and authorizes Lender to debit any accounts maintained with Lender, including, without limitation, Account Number 0271166471 for payments of interest and principal due on the loan and any other obligations owing by Borrower to Lender. Lender will notify Borrower of any debits which Lender makes against Borrower's accounts. Any such debits against Borrower's accounts in no way shall be deemed a set-off.

LETTER OF CREDIT FACILITY. This Promissory Note evidences a letter of credit facility to be used solely for the purpose of issuing stand-by and/or commercial letters of credit.

BUSINESS LOAN AGREEMENT. This Note is subject to and shall be governed by all the terms and conditions of the Business Loan Agreement dated March 20, 1995 between Lender and Borrower, which Business Loan Agreement is incorporated herein by reference.

LOAN FEE. This Note is subject to a loan fee in the amount of Twenty Thousand and 00/100 Dollars (\$20,000.00) plus all out-of-pocket expenses.

GENERAL PROVISIONS. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive any applicable statute of limitations, presentment, demand for payment, protest and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan, or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE AND ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THE NOTE.

BORROWER:

RADIUS INC.

BY: /s/ Robert W. Saltmarsh

NAME: Robert W. Saltmarsh

TITLE: VP Finance & CFO

BY: /s/ David Pine

NAME: David Pine

TITLE: General Counsel & Secretary

EXHIBIT 11.01

COMPUTATION OF NET INCOME (LOSS) PER SHARE
(in thousands, except per share data)<TABLE>
<CAPTION>

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 1,		APRIL 1,	
	1995	1994	1995	1994
	-----	-----	-----	-----
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Primary:				
Average common shares outstanding	14,152	13,496	14,183	13,433
Net effect of dilutive stock options - based on the modified treasury stock method using average market price	1,277	-	-	-
	-----	-----	-----	-----
Totals	15,429	13,496	14,183	13,433
	-----	-----	-----	-----
Net income (loss)	\$ 276	\$ (356)	\$ (10,745)	\$ (9,535)
	-----	-----	-----	-----
Per share amount	\$ 0.02	\$ (0.03)	\$ (0.76)	\$ (0.71)
	-----	-----	-----	-----
Fully diluted:				
Average common shares outstanding	14,152	13,496	14,183	13,433
Net effect of dilutive stock options - based on the modified treasury stock method using quarter end market price which is greater than average market price	1,667	-	-	-
	-----	-----	-----	-----
Totals	15,819	13,496	14,183	13,433
	-----	-----	-----	-----
Net income (loss)	\$ 276	\$ (356)	\$ (10,745)	\$ (9,535)
	-----	-----	-----	-----
Per share amount*	\$ 0.02	\$ (0.03)	\$ (0.76)	\$ (0.71)
	-----	-----	-----	-----

<FN>

* The primary net income (loss) per share is shown in the statements of operations. Net income (loss) per share under the primary and fully diluted calculations are equivalent.

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