FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

TECH SQUARED INC
CIK:**939077**| IRS No.: **411591872** | State of Incorp.:**MN**
Type: **10QSB** | Act: **34** | File No.: **000-25602** | Film No.: **96666055**
SIC: **1381** Drilling oil & gas wells

Business Address
5198 WEST 76TH STREET
STE 220
EDINA MN 55439
6125459575

US SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

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

For the Quarterly Period Ended: SEPTEMBER 30, 1996

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

Commission File Number: 0-25602

TECH SQUARED INC.
(Exact name of small business issuer as specified in its charter)

MINNESOTA	41-1591872
(State or other jurisdiction or organization)	(I.R.S. Employer Identification No.)

5198 WEST 76TH STREET
EDINA, MINNESOTA 55439
(Address of principal executive offices)

(612) 832-5622
(Issuer's telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes __X__ No ____.

As of November 1, 1996, 10,374,870 shares of Common Stock, no par value, of the Company were outstanding.

Transitional Small Business Disclosure Format (Check One):
Yes ____; No __X__

TECH SQUARED, INC.

INDEX

ITEM 1. FINANCIAL STATEMENTS

TECH SQUARED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 1996	December 31, 1995
ASSETS	(Unaudited)	
CURRENT ASSETS		
Cash	$352,918	$867,370
Available-for-sale securities	1,284,375	1,200,000
Accounts receivable, net of allowance for doubtful receivables of $398,000 and $381,000 respectively	2,808,214	2,306,096
Inventories	2,390,455	3,519,368
Prepaids and other current assets	570,543	461,227
TOTAL CURRENT ASSETS	7,406,505	8,354,061
Available-for-sale securities	747,448	-
Property and equipment, net	453,358	444,603
Receivable from officer/stockholder	199,267	205,800
Mining assets	-	600,000
Patents and organization costs, net	139,049	134,790

	$8,945,627	$9,739,254

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Revolving line of credit	$767,377	$595,000
Accounts payable	4,433,074	4,927,618
Accrued compensation and benefits	187,086	142,846
Accrued expenses	552,632	509,375
Dividend payable	727,104	500,000
TOTAL CURRENT LIABILITIES	6,667,273	6,674,839
Dividend payable	-	392,707
Minority interest	119,668	248,211
Redeemable preferred stock, 12% cumulative convertible, $1 par value; 1,000,000 shares authorized; 160,000 and 185,000 shares issued and outstanding, respectively	162,500	185,000
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Common stock: no par value; 25,000,000 shares authorized 10,374,870 issued and outstanding	-	-
Additional paid-in capital	3,771,964	3,702,066
Retained earnings (deficit)	(1,860,153)	(1,463,569)
Unrealized gain on available-for-sale securities	84,375	-
TOTAL STOCKHOLDERS' EQUITY	1,996,186	2,238,497
	$8,945,627	$9,739,254

Note: The consolidated statement of financial position at December 31, 1995 has been derived from the audited financial statements at that date.

See accompanying notes to consolidated financial statements.

TECH SQUARED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended		Nine Month Ended	
	September 30, 1996	September 30, 1995	September 30, 1996	September 30, 1995
<S>	<C>	<C>	<C>	<C>
Net Sales	$9,254,257	$8,842,135	$26,513,926	$33,919,025
Cost of sales	8,229,814	9,148,733	23,588,335	31,637,988
GROSS PROFIT	1,024,443	(306,598)	2,925,591	2,281,037

Selling & marketing expenses	497,406	522,373	1,711,492	1,689,646
General & administrative expenses	579,607	699,171	1,582,945	1,981,720
Research & development expenses	54,821	39,254	142,369	94,564
Total Operating Expenses	1,131,834	1,260,798	3,436,806	3,765,930
OPERATING PROFIT (LOSS)	(107,391)	(1,567,396)	(511,215)	(1,484,893)
Interest expense, net	(18,841)	(61,959)	(22,925)	(190,078)
Dividend Income	3,600		9,000	
PROFIT (LOSS) BEFORE MINORITY INTEREST IN LOSSES	(122,632)	(1,629,355)	(525,140)	(1,674,971)
Minority interest in losses	81,003	16,158	128,544	43,054
NET INCOME (LOSS) BEFORE INCOME TAXES	($41,629)	($1,613,197)	($396,596)	($1,631,917)
Tax benefit of change to taxable status	-	-	-	$192,500
Income tax benefit	-	-	-	$22,460
NET INCOME (LOSS)	($41,629)	($1,613,197)	($396,596)	($1,416,957)
Pro forma income tax provision	-	-	-	($31,911)
PRO FORMA NET INCOME (LOSS)	($41,629)	($1,613,197)	($396,596)	($1,448,868)
Pro forma net income (loss) per common share	($0.01)	($0.17)	($0.04)	($0.17)
Weighted average shares outstanding	10,374,870	9,620,925	10,374,870	8,290,833

</TABLE>

See accompanying notes to consolidated financial statements.

TECH SQUARED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

	Nine Months Ended	
	September 30, 1996	September 30, 1995
<S>	<C>	<C>
Cash Flows From Operating Activities:		
Net Income (loss)	($396,596)	($1,416,957)
Non-cash items included in loss:		
Depreciation and amortization	160,726	185,533
Minority interest in Digital River	(128,544)	(43,054)

Changes In Operating Assets And Liabilities:		
Accounts receivable, net	(502,118)	409,195
Inventories	1,128,913	1,277,058
Income taxes	-	(214,960)
Prepaid and other current assets	(109,316)	(329,022)
Accounts payable	(538,219)	(1,392,094)
Other current liabilities	87,497	82,085
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(297,657)	(1,442,216)
Cash Flows From Investing Activities:		
Purchases of property and equipment	(166,008)	(50,336)
Increase in patents and organization costs	(7,731)	(30,166)
Change in officer/stockholder receivable	6,533	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(167,206)	(80,502)
Cash Flows From Financing Activities:		
Dividends paid	(165,603)	(560)
Preferred stock redemption	(37,500)	-
Net borrowings (payments) on line of credit	172,377	(355,000)
Payment for stock repurchase	-	(173,485)
Issuance of common stock	(18,863)	2,087,885
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(49,589)	1,558,840
NET INCREASE(DECREASE) IN CASH	(514,452)	36,122
Cash At Beginning Of Period	867,370	818,507
CASH AT END OF PERIOD	$352,918	$854,629

</TABLE>

See accompanying notes to consolidated financial statements.

TECH SQUARED, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 30, 1996

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 1996 are not necessarily indicative of the results that may be expected for the year ended December 31, 1996. The accompanying consolidated financial statements and notes should be read in conjunction with the audited financial statements and notes thereto included in the Company's 1995 annual report on Form 10-KSB.

The Consolidated financial statements include the accounts of Tech Squared Inc., its wholly owned subsidiaries, and Digital River, Inc. ("Digital River"), which the Company controls through its bargain purchase option to acquire 60% of the outstanding common stock. Digital River has developed and is operating a proprietary system which allows the secure sale and delivery of software, fonts and images on-line, via the internet. Digital River's first on-line software sale and delivery occurred in August, 1996.

Certain amounts in the financial statements of prior periods have been reclassified to conform to the presentation used for the three and nine month periods ended September 30, 1996.

NOTE 2 - INVENTORIES

The Company's inventories consist primarily of goods held for resale and are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

NOTE 3 - AVAILABLE-FOR-SALE SECURITIES

The trading markets for the Company's available-for-sale securities are highly volatile and may be limited, and there can be no assurance that the ultimate dollar value realized for these investments will be equal to or in excess of the value at which they are currently recorded .

In October 1996 Hanover Gold Company, Inc. ("Hanover") completed the registration of the Company's 525,000 shares of Hanover common stock. Additionally, Hanover filed suit against the Company for breach of contract and injunctive relief to force the Company to break escrow and release title to its Montana Gold mining properties in exchange for 400,000 shares of Hanover common stock held in escrow. Although the Company has not yet filed its answer to the Complaint, the Company has notified Hanover of some of its counterclaims. The ultimate outcome of the lawsuits cannot be determined at this time, however, it could significantly impact the carrying value and nature of the mining assets currently recorded in the Company's Consolidated Statement of Financial Position.

NOTE 4 - LEASE

In May 1996 the Company executed a new lease on its existing facilities. The new agreement has a 38 month term and includes certain contraction and expansion provisions. Future minimum lease payments, including estimated common area maintenance are as follows:

Year ending December 31,

1997	$189,000
1998	207,000
1999	105,000

NOTE 5 - REVOLVING LINE OF CREDIT

In November, 1996 the Company entered into an amendment to its existing line of credit with Norwest. The amendment includes an extension of the term from December 31, 1996 to April 30, 1997, an increase in the interest rate by 1%, a minimum quarterly interest expense of $10,000, a fee of $8,000, and certain other modifications including waiving the defaults, and re-setting the covenants for the remainder of the term.

Borrowings under the $4,000,000 line of credit with Norwest, as amended, are payable on demand, limited by eligible percentages of accounts receivable, inventory and certain investments, and bear interest at the prime rate plus 2%. The agreement requires the Company to maintain certain covenants including a minimum net worth, current ratio, debt to equity ratio, and certain operating results. Borrowings under the agreement are secured by substantially all the Company's assets, and are personally guaranteed up to $500,000 by the Company's CEO.

NOTE 6 - DIGITAL RIVER

Digital River, Inc. ("Digital River"), which the Company controls through its bargain purchase option to acquire 60% of the outstanding common stock, has developed and is operating a proprietary system which allows the secure sale and delivery of software, fonts and images on-line, via the internet. Digital River's first on-line software sale and delivery occurred in August, 1996.

The working capital requirements of Digital River will exceed the available cash resources currently in Digital River. To address its need for additional financing Digital River has signed a letter of intent for a private placement of its common stock with a minimum of $2.0 million and a maximum of $4.0 million in gross proceeds. If the offering is successfully completed the proceeds will be used to fund product development and expand Digital River's sales and marketing activities, including additions to its management team. There is no assurance that this offering or any other additional financing will be successfully completed, or if completed that it will be completed at terms favorable to existing shareholders of Digital River, or to the Company.

Summarized condensed financial information of Digital River is as follows (in 000's):

BALANCE SHEET INFORMATION

	Sept. 30, 1996	Dec. 31, 1995
Cash	$ 171	$ 487
Total assets	409	635
Current liabilities	110	9
Stockholders' equity	299	627

OPERATING INFORMATION

	Three Months Ended September 30, 1996	1995
Net sales	$ 30	$ -
Operating expenses	222	45
Net loss	(203)	(40)

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

Certain statements contained herein are forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934 that involve a number of risks and uncertainties. Such forward-looking information may be indicated by words such as will, may be, expects or anticipates. In addition to the factors discussed herein, among the other factors that could cause actual results to differ materially are the following: business conditions and growth in the personal computer industry and the general economy; competitive factors such as rival computer and peripheral product sellers and price pressures; availability of vendor products at reasonable prices; inventory risks due to shifts in market demand; and risks presented from time to time in reports filed by the Company with the Securities and Exchange Commission, including but not limited to the annual report on Form 10-KSB for the year ended December 31, 1995.

The Company sells computer and peripheral products, mainly in the Macintosh market, through direct marketing channels, and to value added resellers. On May 9, 1995, MacUSA merged with the Jaguar Group, Ltd. (Jaguar). The merger was accounted for as a "reverse acquisition" under the purchase method in which MacUSA was deemed to have acquired Jaguar, though Jaguar continued as the surviving legal entity. The consolidated financial statements do not reflect the historical operating results of Jaguar prior to the merger because its historical results are not considered meaningful. Following the merger, Jaguar changed its name to Tech Squared Inc.

The Consolidated financial statements include the accounts of Tech Squared Inc., its wholly owned subsidiaries, and Digital River, Inc. ("Digital River"), which the Company controls through its bargain purchase option to acquire 60% of the outstanding common stock. Digital River has developed and is operating a proprietary system which allows the secure sale and delivery of software, fonts and images on-line, via the internet. Digital River's first on-line software sale and delivery occurred in August, 1996.

For the three months ended September 30, 1996 the Company recorded a net loss of ($54,000) or ($0.01) per share compared to a net loss of ($1,613,000) or ($0.17) per share in the third quarter of 1995. For the nine months ended September 30, 1996 the Company recorded a net loss of ($409,000) or ($0.04) per share, compared to a pro forma net loss of ($1,449,000) or ($0.17) per share for the comparable period of 1995. Excluding the Company's share of the Digital River loss which amounted to ($122,000) the Company recorded a net income of $80,000 in the third quarter of 1996. This is the first profitable quarter for the Company's core operations, excluding Digital River, since the Quarter ended June 30, 1995.

Summarized condensed financial information for Tech Squared, Inc. excluding Digital River is as follows (In 000's):

BALANCE SHEET INFORMATION

	Sept. 30, 1996	Dec. 31, 1995
Current assets	$ 7,243	$ 7,867
Total assets	8,567	9,109
Current liabilities	6,587	6,666
Stockholders' equity	1,832	1,866

OPERATING INFORMATION

	Three Months Ended September 30, 1996	1995
Net sales	$ 9,224	$8,842
Operating expenses	910	1,215
Net income (loss)	80	(1,589)

At September 30, 1996 the Company had cash of $353,000 of which $171,000 was in Digital River and available only to fund the operations of Digital River. Availability under the Company's discretionary revolving line of credit totaled $1.7 million as of September 30, 1996.

RESULTS OF OPERATIONS

NET SALES

Net sales for the Company's third quarter ended September 30, 1996 totaled $9,254,000 compared to $8,842,000 for the corresponding period of 1995. The increase in sales of 4.7 % is due to an increase in sales to the Company's DTP Direct catalog customers of approximately 21% and an increase in sales to the Company's distribution customers of approximately 18%, offset by significant reductions in sales to the Company's mass merchant and PLI customers of approximately $1.2 million.

Net sales for the first nine months of 1996 totaled $26,514,000 compared to $33,919,000 for the same period in 1995. The decline in year-to-date sales is primarily due to the Company's decision In the fourth quarter of 1995 to de-emphasize sales into the mass merchant channel and to stop shipping product under the PLI brand name acquired in the second quarter of 1995. Sales from these two areas in the nine months ended September 30, 1995 were approximately $6.5 million. Sales to the Company's distribution customers also declined $2.5 million in the nine month period due to significant declines in sales of storage devices including hard drives, optical drives, and removable storage drives. The decline in sales from the Company's distribution, mass merchant, and PLI customers was somewhat offset by an increase in sales to the Company's DTP Direct catalog customers of approximately 11% compared to the nine months ended September 30, 1995.

Digital River recorded net sales in the third quarter of 1996 totaling approximately $30,000. Prior to the third quarter, Digital River had not recorded any revenue.

GROSS PROFIT

Gross profit for the quarter ended September 30, 1996 was $1,024,000 or 11.1% of net sales compared to $(307,000) or (3.5)% of net sales for the comparable period of 1995. Gross profit for the nine month period ended September 30, 1996 was $2,926,000 or 11.0% of net sales compared to $2,281,000 or 6.7% of net sales for the same period in 1995. Gross profit as a percentage of net sales increased in 1996 due to the significant reduction in sales to the mass merchant channel and under the PLI brand name which have historically carried lower gross margins than the Company's direct sales. Gross margin in the third quarter of 1995 was negatively impacted by an adjustment of ($1,008,000) relating to the reduction of certain inventories to their lower of cost or market values, and certain other adjustments.

The Company expects ongoing competitive pressure on gross margins in 1996 and beyond.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses totaled $497,000 or 5.4% of sales during the quarter ended September 30, 1996 compared to $522,000 or 5.9% of sales during the corresponding period of 1995. For the nine month period ending September 30, 1996 selling and marketing expenses were $1,711,000 compared to $1,690,000 for the same period in 1995. As a percentage of sales, selling and marketing expenses for the first nine months of 1996 increased to 6.5% of net sales from 5.0% of net sales for the same nine month period in 1995.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the third quarter ended September 30, 1996 were $580,000 compared to $699,000 for the comparable period of 1995. For the nine month period ended September 30, 1996 general and administrative expenses were $1,583,000 compared to $1,982,000 for the same period in 1995. The decrease is primarily due to the voluntary salary elimination by the CEO of the Company from October 1995 to June 1996, and an overall reduction in

variable expenses associated with sales. The reduction in general overhead was offset in part by an increase in costs associated with being a public company.

Digital River recorded general and administrative expenses of $143,000 in the third quarter of 1996 compared to $4,000 in the third quarter of 1995. The increase is primarily due to an increase in personnel costs, legal costs, travel costs, and due to an inter company charge of $30,000 for administrative services provided by Tech Squared to Digital River prior to September 30, 1996.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are all incurred by Digital River. Research and development expenses were $55,000 and $142,000 in the third quarter and nine months ended September 30, 1996 compared to $39,000 and $95,000 in the same periods of 1995. The increase reflects the increase in personnel and in costs associated with ongoing development activities by Digital River.

NET INTEREST EXPENSE

Net interest expense for the third quarter ended September 30, 1996 was $19,000 compared to $62,000 for the same period in 1995. Interest expense for the nine month period ended September 30, 1996 was $23,000 compared to $190,000 for the same period in 1995. The decrease in interest expense is due to a significant decrease in the average outstanding balance on the Company's line of credit.

DIVIDEND INCOME

The Company recorded $3,600 and $9,000 of dividend income in the third quarter and nine months ended September 30 1996, respectively, from its investment in CAM Designs Inc.

INCOME TAXES

In the third quarter and nine months ended September 30, 1996 the Company recorded no income tax provision due to the Company's inability to currently record net operating loss benefit carry forwards for financial reporting purposes. In the nine months ended September 30, 1995 the company recorded an income tax benefit of $215,000 including $193,000 due to the change in taxable status from an S Corporation as a result of the merger with Jaguar.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity at September 30, 1996 , consisted of liquid funds, a revolving line of credit agreement with Norwest Bank Minnesota, NA ("Norwest"), and vendor trade credit lines.

As of September 30, 1996 the Company had working capital of $739,000. This working capital has been reduced by a dividend declared but not yet paid in the amount of $727,000 which is subordinated to the Company's indebtedness under a line of credit with Norwest pursuant to the terms of a Credit and Security Agreement dated January 3, 1996. Pursuant to a related debt subordination agreement with Norwest, the Company is only allowed to pay $200,000 in 1996 of which $166,000 has been paid through September 30, 1996, and certain other amounts in the event of additional cash influxes into the Company.

In November, 1996 the Company entered into an amendment to its existing line of credit with Norwest. The amendment includes an extension of the term from December 31, 1996 to April 30, 1997, an increase in the interest rate by 1%, a minimum quarterly interest expense of $10,000, a fee of $8,000, and certain other modifications including waiving the defaults, and re-setting the covenants for the remainder of the term.

Borrowings under the $4,000,000 line of credit with Norwest, as amended, are payable on demand, limited by eligible percentages of accounts receivable, inventory and certain investments, and bear interest at the prime rate plus 2%. The agreement requires the Company to maintain certain covenants including a minimum net worth, current ratio, debt to equity ratio, and certain operating

results. Borrowings under the agreement are secured by substantially all the Company's assets, and are personally guaranteed up to $500,000 by the Company's CEO.

Inventories decreased from $3,519,000, as of December 31, 1995 to $2,390,000 as of September 30,1996. This decrease resulted primarily from reduction of inventories related to a significant purchase in October 1995 and from improved inventory management. Capital expenditures totaled $166,000 in the nine months ended September 30, 1996 compared to $50,000 for the comparable period of 1995. The increase is primarily due to capital expenditures by Digital River of $77,000.

The Company believes that funds generated from management of receivable and inventory levels, advances under its discretionary line of credit, further expansion of lines with trade creditors, the cash on hand and potential proceeds from the sale of its investments, will be sufficient to fund its operations through the end of 1996. However, maintaining an adequate level of working capital through the end of 1996 and thereafter depends in part on the success of the Company's sales and marketing efforts, the Company's ability to control operating expenses, and the Company's ability to maintain its relationships with its bank and its suppliers. Furthermore, funding of the Company's operations in future periods may require additional investments in the Company in the form of equity or debt. There can be no assurance that the Company will achieve desired levels of sales or profitability, or that future capital infusions will be available.

The working capital requirements of Digital River will exceed the available cash resources currently in Digital River. The Company is addressing the need for additional capital by raising additional funds in the form of either equity or debt. Digital River has signed a letter of intent for a private placement of its common stock with a minimum of $2.0 million and a maximum of $4.0 million in gross proceeds. If the offering is successfully completed the proceeds will be used to fund product development and expand Digital River's sales and marketing activities, including additions to its management team. There is no assurance that this offering or any other additional financing will be successfully completed, or if completed that it will be completed at terms favorable to existing shareholders of Digital River, or to the Company.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On October 4, 1996 Hanover Gold Company, Inc. ("Hanover") filed suit against Tabor Resources Corporation ("Tabor"), a wholly owned subsidiary of the Company in the United States District Court Eastern District of Washington. The complaint seeks to force the Company to break escrow and release title to its Montana Gold mining properties in exchange for 400,000 shares of Hanover common stock held in escrow, along with certain other damages. Although the Company has not yet filed its answer to the Complaint, the Company has notified Hanover of some of its counterclaims. The ultimate outcome of the lawsuits cannot be determined at this time, however, it could significantly impact the carrying value and nature of the mining assets currently recorded in the Company's Consolidated Statement of Financial Position.

Reference is made to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1995 and Forms 10-QSB for the quarters ended March 31, 1996 and June 30, 1996 on file with the Securities and Exchange Commission. Except as provided above, during the quarter ended September 30, 1996, the Company was not party to any newly instituted legal proceedings and there have been no material developments during such period to existing legal proceedings.

ITEM 5. OTHER INFORMATION

On August 29, 1996 Chuck Reese joined the Company as President and Chief Operating Officer. Joel Ronning, the founder of MacUSA remains the Chief Executive Officer and Chairman of the Board. Mr. Ronning is also the President and CEO of Digital River, where he is currently devoting the majority of his time.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

10.1 First Amendment to Credit and Security Agreement between MacUSA, Inc. and Norwest Bank Minnesota, NA dated November 5, 1996.

10.2 Letter Agreement dated August 20, 1996 to Mr. Charles Reese regarding employment as the Company's President and COO.

27.1 Financial Data Schedule.

(b) Reports on Form 8-K

None

SIGNATURE

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

TECH SQUARED, INC.

November 11, 1996 /s/ Joel Ronning

Joel Ronning
Chief Executive Officer (as principal executive and operating officer and principal financial and accounting officer)

EXHIBIT INDEX

FIRST AMENDMENT TO
CREDIT AND SECURITY AGREEMENT

This First Amendment, dated as of November 5, 1996, is made by and between MacUSA, Inc., a Minnesota corporation (the "Borrower"), and Norwest Bank Minnesota, National Association, a national banking association (the "Lender").

Recitals

The Borrower and the Lender have entered into a Credit and Security Agreement dated as of January 3, 1996 (the "Credit Agreement"). Capitalized terms used in these recitals have the meanings given to them in the Credit Agreement unless otherwise specified.

The loan advances under the Credit Agreement are evidenced by the Borrower's Revolving Note dated as of January 3, 1996, in the maximum principal amount of $4,000,000 and payable to the order of the Lender (the "Revolving Note").

The Borrower has requested that certain amendments be made to the Credit Agreement. The Lender is willing to grant the Borrower's request subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, it is agreed as follows:

1. DEFINED TERMS. Capitalized terms used in this First Amendment which are defined in the Credit Agreement shall have the same meanings as defined therein, unless otherwise defined herein. In addition, Section 1.1 of the Credit Agreement is amended by adding or amending, as the case may be, the following definitions:

"'Borrowing Base' means, at any time and subject to change from time to time in the Lender's sole discretion, the lesser of:

(a) the Maximum Line; or

(b) the sum of:

(i) 75% of Eligible Accounts, PLUS

(ii) the lesser of (A) 20% of Eligible Inventory or (B) $500,000, PLUS

(iii) the lesser of $600,000 or 50% of the market value of the CAM Stock."

"'First Amendment' means that certain First Amendment to Credit and Security Agreement dated as of October __, 1996."

"'Floating Rate' means an annual rate equal to the sum of the Base Rate plus two percent (2.0%), which annual rate shall change when and as the Base Rate changes."

2. MINIMUM INTEREST CHARGE. Section 2.3 of the Credit Agreement is hereby amended by adding the following new subsection (e):

"(e) MINIMUM INTEREST CHARGE. Notwithstanding the interest payable pursuant to Section 2.3(a), the Borrower shall pay to the Lender interest of not less than $10,000 per calendar quarter (the "Minimum Interest Charge") during the term of this Agreement, and the Borrower shall pay any deficiency between the Minimum Interest Charge and the amount of interest otherwise calculated under Section 2.3(a) on the last day of each calendar quarter and the Termination Date or earlier prepayment by the Borrower or demand for payment by the Lender.

3. TERMINATION DATE. That part of Section 2.6 of the Credit Agreement which reads as follows:

"Unless terminated by the Lender at any time or by the Borrower pursuant to Section 2.7, the Credit Facility shall remain in effect until December 31, 1996. December 31, 1996 is herein referred to as the 'Termination Date'."

is hereby amended to read as follows:

"Unless terminated by the Lender at any time or by the Borrower pursuant to Section 2.7, the Credit Facility shall remain in effect until April 30, 1997. April 30, 1997 is herein referred to as the 'Termination Date'."

4. COMPLIANCE CERTIFICATE. Notwithstanding Sections 6.1(a), (b) and (d) of the Credit Agreement, the compliance certificate and certificate concerning projections, required to be provided by the Parent to the Lender, shall hereafter be signed by both the Parent and Borrower.

5. MINIMUM BOOK NET WORTH PLUS SUBORDINATED DEBT. Section 6.14 of the Credit Agreement is amended in its entirety and replaced with the following new Section 6.14:

"Section 6.14 MINIMUM BOOK NET WORTH PLUS SUBORDINATED DEBT. The Borrower shall cause the Parent to maintain, during each period described below, the sum of its consolidated Book Net Worth plus the Subordinated Debt, determined as at the end of each month, at an amount not less than the amount set forth opposite such period:

Month Ending	Minimum Worth plus SubDebt
January 31, 1996	$ 2,302,000
February 29, 1996	$ 2,223,000
March 31, 1996	$ 2,228,000
April 30, 1996	$ 2,217,000
May 31, 1996	$ 2,228,000
June 30, 1996	$ 2,288,000
July 31, 1996	$ 2,292,000
August 31, 1996	$ 2,300,000
September 30, 1996	$ 2,250,000
October 31, 1996	$ 2,250,000
November 30, 1996	$ 2,300,000
December 31, 1996	$ 2,300,000
January 31, 1997	$ 2,300,000
February 28, 1997	$ 2,300,000
March 31, 1997	$ 2,300,000

6. MAXIMUM DEBT TO BOOK NET WORTH PLUS SUBORDINATED DEBT RATIO. Section 6.15 of the Credit Agreement is amended in its entirety and replaced with the following new Section 6.15:

"Section 6.15 MAXIMUM DEBT TO BOOK NET WORTH PLUS SUBORDINATED DEBT RATIO. The Borrower shall cause the Parent to maintain the ratio of its consolidated Debt to the sum of its consolidated Book Net Worth plus the Subordinated Debt, determined as at the end of each month, at not more than 3.30 to 1.00."

7. MINIMUM NET INCOME. Section 6.16 of the Credit Agreement is amended in its entirety and replaced with the following new Section 6.16:

"Section 6.16 MINIMUM NET INCOME. The Borrower shall not permit the Parent to allow its consolidated Net Income for each month-end set forth below to be less than the amount indicated:

Month Ending	Minimum Consolidated Net Income
August 31, 1996	($400,000)
September 30, 1996	($450,000)
October 31, 1996	($450,000)
November 30, 1996	($400,000)

December 31, 1996	($400,000)
January 31, 1997	($10,000)
February 28, 1997	$0
March 31, 1997	$0

8. MINIMUM MONTHLY NET INCOME. A new section is added to the Credit Agreement immediately after Section 6.16 and shall read as follows:

> "Section 6.17 MINIMUM MONTHLY NET INCOME. The Borrower shall not permit the Parent to allow consolidated net income for any given month, calculated in accordance with GAAP, to be less than ($75,000)."

9. DIVIDENDS. That part of Section 7.5 of the Credit Agreement which reads as follows:

> "The Parent and Borrower will not declare or pay any dividends (other than dividends payable solely in stock of the Parent) . . ."

is hereby amended to read as follows:

"During fiscal year 1996, the Borrower will not, nor will the Borrower permit the Parent to, declare or pay any dividends (other than dividends payable solely in stock of the Parent) . . ."

In addition, the following language is added at the end of Section 7.5:

> "During fiscal year 1997, the Borrower will not, nor will the Borrower permit the Parent to, declare or pay any dividends in excess of Net Income."

10. CAPITAL EXPENDITURES. Section 7.10 of the Credit Agreement is amended in its entirety and replaced with the following new Section 7.10:

> "Section 7.10 CAPITAL EXPENDITURES. The Borrower will not, nor will the Borrower permit the Parent to, incur Capital Expenditures or contract to incur Capital

> Expenditures of more than $300,000 in the aggregate during the 1996 fiscal year, and $100,000 in the aggregate during the period from January 1, 1997 through April 30, 1997. In addition, the Borrower will not, nor will the Borrower permit the Parent to, incur or contract to incur Capital Expenditures of more than $100,000 in any one transaction.

11. WAIVER OF DEFAULTS. The Borrower is in default of the following provisions of the Agreement (collectively, the "Defaults"):

> (a) Section 6.16 MINIMUM NET INCOME. The Borrower is in default of the minimum Net Income covenant for the months ending as set forth below:

Month	Actual Net Income	Minimum Net Income
April 30, 1996	($225,131)	($120,000)
May 31, 1996	($265,347)	($110,000)
June 30, 1996	($283,657)	($70,000)
July 31, 1996	($275,275)	($50,000)

In addition, to the extent that the Borrower made any payments on the Subordinated Debt after these Defaults had occurred, such payments constitute an Event of Default under the Credit Agreement. Upon the terms and subject to the conditions set forth in this First Amendment, the Bank hereby waives the Defaults. This waiver shall be effective only in this specific instance and for the specific purpose for which it is given, and this waiver shall not entitle the Borrower to any other or further waiver in any similar or other circumstances.

12. NO OTHER CHANGES. Except as explicitly amended by this First Amendment, all of the terms and conditions of the Credit Agreement shall remain in full force and effect and shall apply to any advance or letter of credit thereunder.

13. AMENDMENT, DEFAULT WAIVER AND EXTENSION FEES. The Borrower agrees to pay the Lender a fully earned, non-refundable fee in the amount of $5,000 in consideration of the execution by the Lender of this Amendment; $2,500 of such fee shall be due and payable to the Lender on the date of this First Amendment and the remaining $2,500 shall be due and payable to the Lender on November 1, 1996. In addition, the Borrower agrees to pay the Lender a fully earned, non-refundable fee in the amount of $3,000 in consideration for extending the Credit Facility, payable no later than January 2, 1997.

14. CONDITIONS PRECEDENT. This First Amendment and the waiver set forth in paragraph 10 shall be effective when the Lender shall have received an executed original

hereof, together with each of the following, each in substance and form acceptable to the Lender in its sole discretion:

(a) A Certificate of the Secretary of the Borrower certifying as to (1) the resolutions of the board of directors of the Borrower approving the execution and delivery of this First Amendment, (2) the fact that the Articles of Incorporation and Bylaws of the Borrower, which were certified and delivered to the Lender pursuant to the Certificate of Authority of the Borrower's Secretary dated as of January 3, 1996 (the "Certificate of Authority") in connection with the execution and delivery of the Credit Agreement continue in full force and effect and have not been amended or otherwise modified except as set forth in the Certificate to be delivered, and (3) certifying that the officers and agents of the Borrower who have been certified to the Lender, pursuant to the Certificate of Authority, as being authorized to sign and to act on behalf of the Borrower continue to be so authorized or setting forth the sample signatures of each of the officers and agents of the Borrower authorized to execute and deliver this First Amendment and all other documents, agreements and certificates on behalf of the Borrower.

(b) Payment of the fees described in paragraph 12.

(c) Such other matters as the Lender may require.

15. REPRESENTATIONS AND WARRANTIES. The Borrower hereby represents and warrants to the Lender as follows:

(a) The Borrower has all requisite power and authority to execute this First Amendment and to perform all of its obligations hereunder, and this First Amendment has been duly executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms.

(b) The execution, delivery and performance by the Borrower of this First Amendment has been duly authorized by all necessary corporate action and does not (i) require any authorization, consent or approval by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) violate any provision of any law, rule or regulation or of any order, writ, injunction or decree presently in effect, having applicability to the Borrower, or the articles of incorporation or by-laws of the Borrower, or (iii) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Borrower is a party or by which it or its properties may be bound or affected.

(c) All of the representations and warranties contained in Article V of the Credit Agreement are correct on and as of the date hereof as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date.

16. REFERENCES. All references in the Credit Agreement to "this Agreement" shall be deemed to refer to the Credit Agreement as amended hereby; and any and all references in any other Loan Document to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended hereby.

17. NO OTHER WAIVER. Except as set forth in paragraph 10 hereof, the execution of this First Amendment and acceptance of any documents related hereto shall not be deemed to be a waiver of any Default or Event of Default

under the Credit Agreement or breach, default or event of default under any Security Document or other document held by the Lender, whether or not known to the Lender and whether or not existing on the date of this First Amendment.

18. RELEASE. The Borrower hereby absolutely and unconditionally releases and forever discharges the Lender, and any and all parent corporations, subsidiary corporations, affiliated corporations, insurers, indemnitors, successors and assigns thereof, together with all of the present and former directors, officers, agents and employees of any of the foregoing, from any and all claims, demands or causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, which the Borrower has had, now has or has made claim to have against any such person for or by reason of any act, omission, matter, cause or thing whatsoever arising from the beginning of time to and including the date of this First Amendment, whether such claims, demands and causes of action are matured or unmatured.

19. COSTS AND EXPENSES. The Borrower hereby reaffirms its agreement under the Credit Agreement to pay or reimburse the Lender on demand for all costs and expenses incurred by the Lender in connection with the Credit Agreement, the Security Documents and all other documents contemplated thereby, including without limitation all reasonable fees and disbursements of legal counsel. Without limiting the generality of the foregoing, the Borrower specifically agrees to pay all fees and disbursements of counsel to the Lender for the services performed by such counsel in connection with the preparation of this First Amendment and the documents and instruments incidental hereto. The Borrower hereby agrees that the Lender may, at any time or from time to time in its sole discretion and without further authorization by the Borrower, make a loan to the Borrower under the Credit Agreement, or apply the proceeds of any loan, for the purpose of paying any such fees, disbursements, costs and expenses and the fee required under paragraph 12 hereof.

20. MISCELLANEOUS. This First Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original and all of which counterparts, taken together, shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed as of the date first written above.

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION

By [illegible]

Its Vice President

MACUSA, INC.

By /s/ Joel A. Ronning

Joel A. Ronning
Its President

ACKNOWLEDGMENT AND AGREEMENT OF GUARANTORS

The undersigned, each a guarantor of the indebtedness of MacUSA, Inc. (the "Borrower") to Norwest Bank Minnesota, National Association (the "Lender") pursuant to separate guaranties each dated as of January 3, 1996 (each, a "Guaranty"), hereby (i) acknowledges receipt of the foregoing First Amendment; (ii) consents to the terms (including without limitation the release set forth in paragraph 18 of the First Amendment) and execution thereof; (iii) reaffirms his or its respective obligations to the Lender pursuant to the terms of his or its respective Guaranty; and (iv) acknowledges that the Lender may amend, restate, extend, renew or otherwise modify the Credit Agreement and any indebtedness or agreement of the Borrower or enter into any agreement or extend additional or other credit accommodations, without notifying or obtaining the consent of the undersigned and without impairing the liability of the undersigned under his or its respective Guaranty for all of the Borrower's present and future indebtedness to the Lender.

TECH SQUARED, INC.

By /s/ Joel A. Ronning

Joel A. Ronning
Its President

TABOR RESOURCES, INC.

By /s/ Joel A. Ronning

Joel A. Ronning
Its President

PERIPHERAL LAND, INC.

/s/ Joel A. Ronning

By /s/ Joel A. Ronning

Joel A. Ronning

Its President

[LOGO]

8/20/96

Mr. Charles Reese
Prior Lake, MN

Dear Mr. Reese

I am pleased to offer you the position of President and COO with Tech Squared Inc. reporting directly to me.

The position will pay a base of $135,000 annualized salary, a bonus package as will be mutually agreed to will be based on profitability and growth. You will also have access to the companies stock option plan, the option package for you will be a minimum of 1,000,000 options at 75 CENTS per share vesting over a 4 year period with the ability to accelerate part of these options as we have already discussed. As outlined the company offers a health and dental insurance program with Blue Cross Blue Shield.

I look forward to a long and prosperous relationship.

Sincerely,

/s/ Joel A. Ronning

Joel A. Ronning
President

Accepted

/s/ Mr. Charles Reese

Mr. Charles Reese

ATTACHMENT A
TECH SQUARED
CHARLES REESE BONUS PLAN

Quarterly Profit x 5% (with a cap of $5K to prevent "milking at the expense of growth) + the result above X growth % (as defined by comparing the current quarter sales, as reported, compared to the prior years quarters sales) with no cap on this line.

If we take your 3rd quarter 97 example, and apply this formula, the result would look like this:

```
Profit bonus
 -----------
Quarterly Profit    $129,000
                    x     5%
                    --------
                    $ 6,450
```

Cap applies, so payout for this portion would be $5K

```
Growth bonus
------------
Amount above         $5,000
x growth %           x 43.33%   (Based on 3rd Qtr '97 sales of $12.9m vs $9m)
                     -------
                     $2,166

Total bonus
-----------
Profit bonus         $5,000
Growth bonus         +2,166
                     ------
Q3 '97 bonus         $7,166
```

The plan assumes a minimum of .5% net profits and a minimum of 20% growth before any bonus is available.

Two areas of strategy modification will impact the bonus plan, a merger and acquisition model or a profit harvesting model. The plan should be changed if there is an agreed to shift in either of these strategic directions.

If however there have been losses in the prior quarters (not including the second and third quarter for 1996), then all losses have to be overcome in the current quarter or future quarters in order for there to be a bonus based on the bonus plan.

Any bonus for the third quarter of 1996 will be based on the operating profits for the two months of August and September. The third quarter operating profits would not be inclusive of any billings by Tech Squared made to Digital River.

The intention here is that there is profitability AND growth, I will not consider this a successful plan if we are only able to make 1% net per quarter with no growth, this would put the company in a very vulnerable position. -JR

Vesting for C. Reese options within Tech Squared Stock Option Plan

Date of Issue	# Shares	Vesting schedule based on plan
Upon employment	125,000	96
1st anniversary	250,000	97
2nd anniversary	250,000	98
3rd anniversary	250,000	99
4th anniversary	125,000	2000
Total	1,000,000	(exclusive of director's options)
Option exercise price	$0.75/share	

Stock option acceleration plan;

Acceleration Program

To bring the 4th year options (125,000 shares) into the current year, sales must profitably double (defined as Tech 2 current quarter operating revenue / year ago quarter) in either the 3rd or 4th quarter of 97.

To bring 1/2 of the 3rd year options (or all of 4th year - 125,000 shares either way) into 2nd year, sales must profitably double (as defined above) on or before 4th quarter of 98.

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