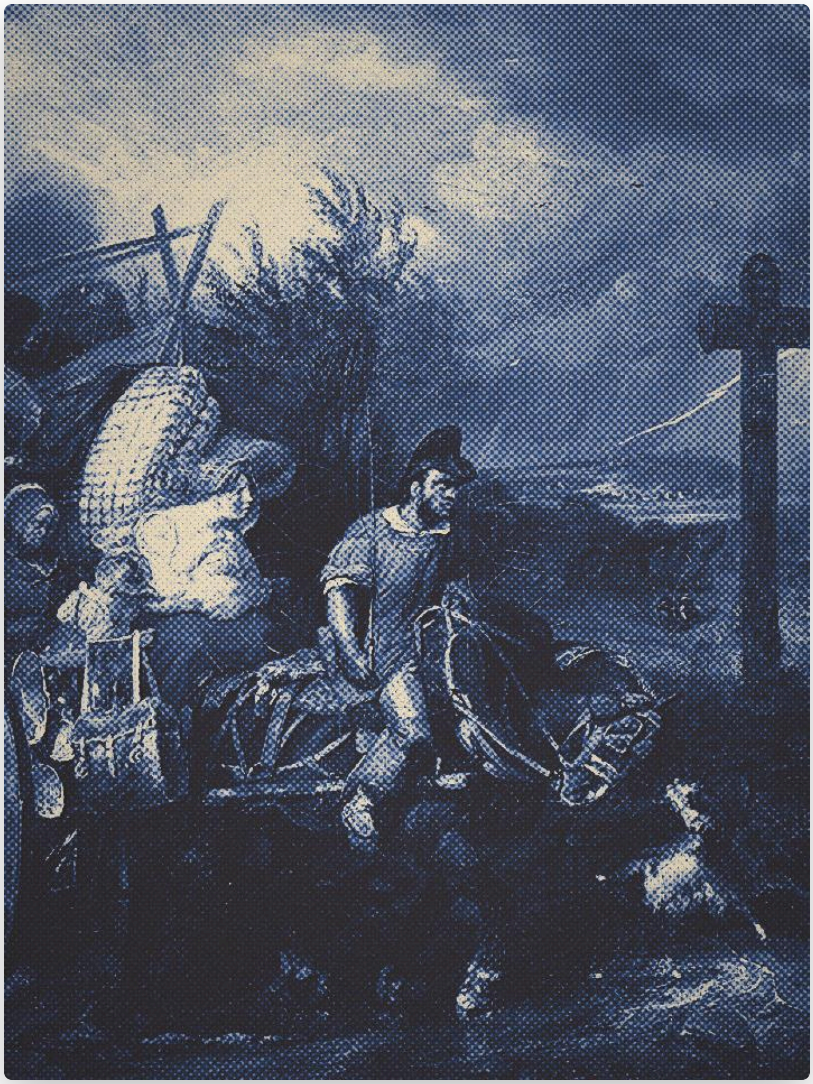
FORM S-1 · REGISTRATION STATEMENT

Modem Media Inc

IPO priced 1999-02-05 · $16.00 a share · MMPT



From S1 Directory · www.s1directory.com/s1/modem-media-inc/ · Source: https://www.sec.gov/Archives/edgar/data/1024787/000095013196005377/0000950131-96-005377.txt

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 31, 1996

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

FORM S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

TN TECHNOLOGIES HOLDING INC. (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	7389	06-1464807
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

TN TECHNOLOGIES HOLDING INC. 228 SAUGATUCK AVENUE WESTPORT, CT 06880 (203) 341-5200 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES) GREGORY W. BLAINE CHAIRMAN AND CHIEF EXECUTIVE OFFICER TN TECHNOLOGIES HOLDING INC. 228 SAUGATUCK AVENUE WESTPORT, CT 06880 (203) 341-5200 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

ALAN K. AUSTIN, ESQ.	HOWARD S. LANZNAR, ESQ.
BRIAN C. ERB, ESQ.	LAWRENCE D. LEVIN, ESQ.
ELIZABETH M. KURR, ESQ.	TARA A. GOFF, ESQ.
MARK L. REINSTRA, ESQ.	KAREN A. RUZIC, ESQ.
THOMAS I. SAVAGE, ESQ.	KATTEN MUCHIN & ZAVIS
WILSON SONSINI GOODRICH & ROSATI	525 W. MONROE STREET, SUITE 1600
PROFESSIONAL CORPORATION	CHICAGO, IL 60661-3693
650 PAGE MILL ROAD	(312) 902-5200
PALO ALTO, CA 94304-1050	
(415) 493-9300	

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT. IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE OFFERED ON A DELAYED OR CONTINUOUS BASIS PURSUANT TO RULE 415 UNDER THE SECURITIES ACT OF 1933, CHECK THE FOLLOWING BOX: [_] IF THIS FORM IS FILED TO REGISTER ADDITIONAL SECURITIES FOR AN OFFERING PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT, PLEASE CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING: [_] IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(C) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING: [_] IF DELIVERY OF THE PROSPECTUS IS EXPECTED TO BE MADE PURSUANT TO RULE 434, PLEASE CHECK THE FOLLOWING BOX: [_]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
CLASS A COMMON STOCK, $0.001 PAR VALUE...	$30,000,000	$9,091

(1) ESTIMATED SOLELY FOR THE PURPOSE OF COMPUTING THE AMOUNT OF THE REGISTRATION FEE PURSUANT TO RULE 457(O).

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO THE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS (Subject to Completion)
Issued October 31, 1996

SHARES [LOGO] CLASS A COMMON STOCK

OF THE SHARES OF CLASS A COMMON STOCK (THE "CLASS A COMMON STOCK") BEING OFFERED HEREBY, SHARES ARE BEING SOLD BY THE COMPANY AND SHARES ARE BEING SOLD BY THE SELLING STOCKHOLDERS NAMED HEREIN. SEE "PRINCIPAL AND SELLING STOCKHOLDERS." THE COMPANY WILL NOT RECEIVE ANY OF THE PROCEEDS FROM THE SALE OF THE SHARES OF CLASS A COMMON STOCK BY THE SELLING STOCKHOLDERS. PRIOR TO THE OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK OF THE COMPANY. IT IS CURRENTLY ESTIMATED THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN $ AND $ PER SHARE. SEE "UNDERWRITERS" FOR A DISCUSSION OF THE FACTORS TO BE CONSIDERED IN DETERMINING THE INITIAL PUBLIC OFFERING PRICE. THE COMPANY HAS TWO CLASSES OF AUTHORIZED COMMON STOCK, THE CLASS A COMMON STOCK OFFERED HEREBY AND CLASS B COMMON STOCK (THE "CLASS B COMMON STOCK" AND, COLLECTIVELY WITH THE CLASS A COMMON STOCK, THE "COMMON STOCK"). THE RIGHTS OF HOLDERS OF CLASS A COMMON STOCK AND CLASS B COMMON STOCK ARE IDENTICAL EXCEPT FOR VOTING AND CONVERSION RIGHTS. HOLDERS OF THE CLASS A COMMON STOCK ARE ENTITLED TO ONE VOTE PER SHARE, AND HOLDERS OF THE CLASS B COMMON STOCK ARE ENTITLED TO SEVEN VOTES PER SHARE ON MOST MATTERS SUBJECT TO STOCKHOLDER VOTE. THE COMPANY IS A SUBSIDIARY OF TRUE NORTH COMMUNICATIONS INC. ("TRUE NORTH"). UPON CONSUMMATION OF THE OFFERING, TRUE NORTH WILL BENEFICIALLY OWN ALL OF THE OUTSTANDING CLASS B COMMON STOCK AND WILL HAVE APPROXIMATELY % OF THE COMBINED VOTING POWER OF THE COMMON STOCK (% IF THE UNDERWRITERS' OVER-ALLOTMENT OPTION IS EXERCISED IN FULL). APPLICATION HAS BEEN MADE TO LIST THE CLASS A COMMON STOCK FOR QUOTATION ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL "TNTI."

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 6 HEREOF.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE $ A SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS (1)	PROCEEDS TO COMPANY (2)	PROCEEDS TO SELLING STOCKHOLDERS
Per Share.....	$	$	$	$
Total (3).....	$	$	$	$

(1) THE COMPANY AND THE SELLING STOCKHOLDERS HAVE AGREED TO INDEMNIFY THE UNDERWRITERS AGAINST CERTAIN LIABILITIES, INCLUDING LIABILITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED. (2) BEFORE DEDUCTING EXPENSES ESTIMATED AT $, ALL OF WHICH ARE PAYABLE BY THE COMPANY. THE COMPANY HAS AGREED TO PAY THE UNDERWRITING DISCOUNTS AND COMMISSIONS RELATING TO THE SHARES OF CLASS A COMMON STOCK TO BE SOLD BY THE SELLING STOCKHOLDERS. SEE "USE OF PROCEEDS" AND "RELATIONSHIP WITH TRUE NORTH AND CERTAIN TRANSACTIONS." (3) THE COMPANY HAS GRANTED THE UNDERWRITERS AN OPTION, EXERCISABLE WITHIN 30 DAYS OF THE DATE HEREOF, TO PURCHASE UP TO AN AGGREGATE OF ADDITIONAL SHARES OF CLASS A COMMON

STOCK AT THE PRICE TO PUBLIC LESS UNDERWRITING DISCOUNTS AND COMMISSIONS FOR THE PURPOSE OF COVERING OVER-ALLOTMENTS, IF ANY. IF THE UNDERWRITERS EXERCISE SUCH OPTION IN FULL, THE TOTAL PRICE TO PUBLIC, UNDERWRITING DISCOUNTS AND COMMISSIONS AND PROCEEDS TO COMPANY WILL BE $, $ AND $, RESPECTIVELY. SEE "UNDERWRITERS."

THE SHARES OF CLASS A COMMON STOCK ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITERS NAMED HEREIN AND SUBJECT TO APPROVAL OF CERTAIN LEGAL MATTERS BY KATTEN MUCHIN & ZAVIS, COUNSEL FOR THE UNDERWRITERS. IT IS EXPECTED THAT DELIVERY OF THE SHARES OF CLASS A COMMON STOCK WILL BE MADE ON OR ABOUT , 1996 AT THE OFFICE OF MORGAN STANLEY & CO. INCORPORATED, NEW YORK, NEW YORK, AGAINST PAYMENT THEREFOR IN IMMEDIATELY AVAILABLE FUNDS.

MORGAN STANLEY & CO. INCORPORATED DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION ROBERTSON, STEPHENS & COMPANY , 1996 NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING STOCKHOLDERS OR BY ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFERING OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

UNTIL , 1997 (25 DAYS AFTER THE COMMENCEMENT OF THE OFFERING), ALL DEALERS EFFECTING TRANSACTIONS IN THE CLASS A COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

Table of Contents

Page

Prospectus Summary..... 3 Risk Factors..... 6 The Company..... 14 Use of Proceeds..... 14 Dividend Policy..... 14 Capitalization..... 15 Dilution..... 16 Selected Financial Data..... 17 Pro Forma Financial Information.... 18 Management's Discussion and Analysis of Financial Condition and Results of Operations..... 21

Page

Business..... 29 Management..... 41 Relationship With True North and Certain Transactions..... 48 Principal and Selling Stockholders.. 52 Description of Capital Stock..... 53 Shares Eligible for Future Sale..... 56 Underwriters..... 58 Legal Matters..... 59 Experts..... 59 Additional Information..... 60 Index to Financial Statements..... F-1

TN Technologies, Modem Media, R/GA Interactive, Northern Lights Interactive, Cf2GS, Relationship

Technology Group and Delivra are trademarks or tradenames of the Company. This Prospectus also includes product names and other trade names and trademarks of the Company and of other organizations.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CLASS A COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Prospectus Summary

This Prospectus contains forward-looking statements which involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" and elsewhere in this Prospectus. The following summary is qualified in its entirety by the more detailed information and the financial statements and notes thereto appearing elsewhere in this Prospectus.

TN Technologies Holding Inc. was incorporated in Delaware in October 1996 to convert all of the general and limited partnership interests of Modem Media Advertising Limited Partnership ("Modem Media"), a Connecticut limited partnership, into common stock of TN Technologies Holding Inc. (the "Conversion"). Following the Conversion, TN Technologies Holding Inc. acquired certain businesses of True North (the "Combination"). In this Prospectus, unless the context otherwise indicates, the "Company" means TN Technologies Holding Inc. after the Conversion and the Combination, and the "True North Units" means the operations of the businesses acquired by the Company from True North in the Combination. Prior to consummation of the Offering, the Company will change its name to TN Technologies Inc. See "The Company" and "Relationship With True North and Certain Transactions." Except as otherwise indicated herein, all information in this Prospectus (i) assumes no exercise of the Underwriters' over-allotment option and (ii) reflects the filing of an amended and restated Certificate of Incorporation providing for two classes of common stock, Class A Common Stock having one vote per share and Class B Common Stock having seven votes per share, concurrently with the consummation of the Offering. See "Underwriters."

The Company

The Company is a leader in digital interactive marketing, having developed over 500 marketing programs since 1987. The Company combines traditional marketing skills with capabilities in digital media and communications technologies to enable clients to more effectively reach and interact with customers and other key constituents, including employees, stockholders, suppliers and other business partners. The Company delivers a complete range of digital interactive marketing products and services through a combination of its substantial expertise in strategic marketing, technology

development and digital design and production. These products and services include: customized product positioning; creation, production, updating and maintenance of World Wide Web ("Web") sites and other interactive communications vehicles; analysis of customer requests, purchases and behaviors; delivery of uniform and updated information tools for sales forces; and technical consulting. The Company believes that by offering comprehensive digital interactive marketing solutions, it can add substantial value to organizations impacted by the challenges and opportunities created by rapidly changing digital media and interactive communications technologies. Pro forma revenues derived from digital interactive marketing activities accounted for 72.5% of the Company's total pro forma revenues in the first six months of 1996.

The Company's products and services link the two-way distribution capabilities of digital communications networks (principally the Internet, the Web, proprietary on-line services and corporate intranets) with fundamental marketing strategies and digital design and production capabilities. Digital interactive marketing applications developed by the Company permit the Company's clients to target narrow market segments, supply detailed product and service information on demand, obtain instant feedback, and update advertising, marketing and customer service programs quickly and easily. The Company believes that interactive technologies are becoming an increasingly important component of many organizations' marketing strategies as these technologies enhance the ability to communicate effectively and to establish one-to-one relationships with current and potential customers and other key constituents. The Company seeks to strengthen and maintain long-term relationships with established organizations, including AT&T, Delta Air Lines, Levi Strauss & Co., JC Penney, Microsoft, Motorola, Royal Caribbean Cruises and S.C. Johnson, as well as with emerging companies that are effecting change in digital media, such as i-Village and PC Financial Network.

The Company was formed through the combination of businesses with substantial creative, technological, and digital design and production expertise. Since 1995, True North, the seventh largest advertising company in the world based on 1995 billings, with agency brands such as Foote, Cone & Belding, has provided digital interactive marketing services to its clients. These services are currently embodied in Northern Lights Interactive, Inc. ("Northern Lights Interactive"), one of the Company's strategic marketing organizations. In April 1994, True North acquired Christiansen, Fritsch, Giersdorf, Grant and Sperry, Inc. ("Cf2GS"), an advertising agency with substantial database and integrated marketing expertise. In July 1995, True North acquired R/GA Interactive, Inc. ("R/GA Interactive"), an award-winning digital design and production business founded by Robert M. Greenberg in 1993. In October 1996, these businesses (Northern Lights Interactive, Cf2GS and R/GA Interactive, along with the technology development operations of True North) were acquired by Modem Media, a leader in digital interactive marketing which has been providing such services since 1987. Through the Combination, the Company brings together substantial experience in digital interactive marketing and offers comprehensive solutions to its clients. In addition, the Company believes that its ongoing relationship with True North will provide it with additional opportunities to offer digital interactive marketing products and services to True North's clients.

The Offering

Class A Common Stock offered.... shares shares by the Company shares by the Selling Stockholders Common Stock to be outstanding after the Offering (1)(2): Class A Common Stock..... shares Class B Common Stock (2)..... shares Total..... shares Voting rights: Class A Common Stock..... One vote per share Class B Common Stock..... Seven votes per share Use of Proceeds to the Company.. For general corporate purposes, including working capital and capital expenditures. In addition, the Company will use an aggregate of $ million of the net proceeds for certain payments to the Selling Stockholders. See "Use of Proceeds" and "Relationship With True North and Certain Transactions." Proposed Nasdaq National Market Symbol..... TNTI (1) After giving effect to the Conversion and the Combination. Excludes an aggregate of shares of Class A Common Stock reserved for issuance upon exercise of options granted to certain employees of Modem Media prior to the Conversion which were converted into options to purchase Class A Common Stock of the Company in connection with the Conversion. Also excludes an aggregate of shares of Class A Common Stock reserved for issuance pursuant to the Company's 1996 Stock Option Plan, of which the Company intends to grant to certain officers and employees of the Company options to purchase shares of Class A Common Stock at the initial public offering price concurrently with the consummation of the Offering, and shares of Class A Common Stock reserved for issuance pursuant to the Company's 1996 Employee Stock Purchase Plan. See "Management--Stock Plans," "Relationship With True North and Certain Transactions" and "Description of Capital Stock." (2) Each share of Class B Common Stock is convertible, at any time at the option of the holder, into 1.015 shares of Class A Common Stock. In addition, the Class B Common Stock will be automatically converted into Class A Common Stock upon the occurrence of certain events. See "Description of Capital Stock."

Summary Historical Financial Data and Pro Forma Financial Information

The Company was formed in October 1996 for the purpose of converting all of the general and limited partnership interests of Modem Media into common stock of TN Technologies Holding Inc. Following the Conversion, the Company acquired the True North Units, which included substantially all of the assets and properties of Northern Lights Interactive (established by True North in 1995), R/GA Interactive (acquired by True North in July 1995) and Cf2GS (acquired by True North in April 1994), as well as True North's technology development operations, in exchange for the assumption by the Company of certain liabilities of True North relating to the True North Units and the issuance to True North of all of the Company's Class B Common Stock. See "Relationship With True North and Certain Transactions."

The following summary financial information should be read in conjunction with the financial statements and notes thereto included elsewhere in this Prospectus. The summary financial information contained below and elsewhere in this Prospectus is that of Modem Media, as predecessor of the Company. The summary statement of operations data for the fiscal years ended December 31,

1993, 1994 and 1995 is derived from audited financial statements of Modem Media that are included elsewhere in this Prospectus. The summary pro forma information presented is unaudited and gives effect to the Conversion and the Combination. The Combination has been accounted for using the purchase method of accounting. The unaudited six month financial information reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of the Company's management, necessary for a fair presentation of the results of the interim periods. The results of operations for current interim periods are not necessarily indicative of results to be expected for the entire year.

YEAR ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,			
			PRO FORMA			PRO FORMA	
1993	1994	1995	1995	1995	1996	1995	1996
				(UNAUDITED)			
(IN THOUSANDS, EXCEPT PER SHARE DATA)							

STATEMENT OF OPERATIONS DATA: Revenues..... $1,221 $4,335 $11,719 $24,541 $4,449 $7,908 $10,034 $16,033 Operating income (loss). 481 1,237 3,953 (152) 1,907 1,288 520 (2,096) Net income (loss) (1)... 484 1,241 3,960 (806) 1,911 1,277 (61) (1,574) Net income (loss) per share..... -- -- -- -- -- Shares used to compute net income (loss) per share..... -- -- -- -- -- JUNE 30, 1996 PRO PRO FORMA AS ACTUAL FORMA ADJUSTED (2) (UNAUDITED, IN THOUSANDS)

BALANCE SHEET DATA:			
Cash.....	$ 518	$ 765	$
Working capital.....	2,746	4,858	
Total assets.....	8,423	42,860	
Capital lease obligations, less current portion.....	161	161	161
Partners' capital/Stockholders' equity.....	4,223	32,435	

(1) No provision for income taxes was made by Modem Media in any of the fiscal years ended December 31, 1993, 1994 and 1995 or for the six months ended June 30, 1995 and 1996 because of its partnership structure. (2) As adjusted to reflect the sale of the shares of Class A Common Stock offered by the Company hereby at an assumed initial public offering price of $ per share and application of the net proceeds therefrom (after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company). The Company will incur a charge of approximately $ million in the second half of 1996 relating to the grant of certain options to purchase partnership interests in Modem Media prior to the Conversion and the payment of certain amounts to the Selling Stockholders in connection with the Conversion. See "Risk Factors--Limited Operating History; Variability of Operating Results," "Use of Proceeds," "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview."

Risk Factors

This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in the following risk factors and

elsewhere in this Prospectus. In evaluating the Company's business, prospective investors should consider carefully the following risk factors in addition to the other information set forth in this Prospectus.

Risks Associated With Integration of Separate Businesses. The Company was formed in October 1996 and acquired certain businesses of True North, including substantially all of the assets and properties of Northern Lights Interactive, R/GA Interactive and Cf2GS, as well as True North's technology development operations. The integration of the business units of True North sold in the Combination with those of Modem Media has placed and will continue to place a significant burden on the Company's management. The Company's business units have historically operated independently, and it is expected that the Company's management will integrate certain aspects of the businesses into a single organization. Such integration is subject to various risks and uncertainties and include: the inability to effectively assimilate operations, products, technologies, personnel and cultures of the business units involved; the potential disruption of the Company's business; the potential deterioration of uniform standards, controls, procedures and policies; and the impairment of relationships with employees and clients as a result of the integration of new management personnel. If the Company were to fail to integrate successfully the business units of True North with those of Modem Media, such failure could have a material adverse effect on the Company's business, financial condition or results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Relationship With True North and Certain Transactions."

Dependence on and Relationship With True North. In 1995, True North established Northern Lights Interactive to provide digital interactive marketing services to True North's traditional marketing services clients. Prior to the Combination, the business of Northern Lights Interactive was, and the Company expects that Northern Lights Interactive will continue to be, dependent on successful client referrals from True North. True North is not obligated to refer clients to the Company, and there can be no assurance that True North will continue to refer clients to the Company. In addition, even if referred to the Company, True North's clients are not obligated to hire the Company, and there can be no assurance that such referrals will be successful. True North has agreed in connection with the Combination, subject to certain limited exceptions, not to compete with the Company for business relating to digital interactive marketing services for a period of three years. However, if True North were to be acquired by a company that competes with the Company, or if True North were to acquire a business with a unit that competes with the Company, True North could become a competitor of the Company and could reduce the number of, or discontinue making, client referrals to the Company. In addition, the number of client referrals the Company receives from True North is dependent in part on True North's business. In the event of a reduction or discontinuance of client referrals because of a decline in True North's business, or for any other reason, the Company's business, financial position or results of operations could be materially adversely affected.

The True North Units have historically depended on True North for a variety of management and administrative services, including accounting, cash management, tax and payroll administration, insurance and employee benefits administration and financing. In connection with the Combination, the Company and True North have entered into certain intercompany agreements providing for

various interim and ongoing services and relationships between the two companies, including an intercompany credit agreement, a tax matters agreement, an intellectual property agreement, an administrative services agreement and a real estate space sharing agreement. True North will continue to provide such services until termination of the respective agreements pursuant to their respective terms. Any such termination would require the Company to independently provide, or seek an alternative source of, such services. There can be no assurance that the Company could independently provide, or find a third party to provide, these services on a cost-effective basis or that any transition to a new service provider would not have a material adverse effect on the Company's business, financial position or results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Relationship With True North and Certain Transactions."

Limited Operating History; Variability of Operating Results. Prior to the Combination, the Company did not operate as a combined business organization. The Company has experienced operating losses, on a pro forma basis, in each of the last three quarters, and there can be no assurance that the Company will achieve or sustain profitability in the future. In addition, the Company has incurred, and anticipates that it will continue to incur, substantial costs to expand and integrate its operations. Such costs have had, and could continue to have, a material adverse effect on the operating results of the Company. Future operating results will depend on many factors, including demand for the Company's services, the Company's ability to successfully integrate its business units, the Company's ability to maintain its client relationships and obtain assignments from new clients, the Company's success in attracting and retaining qualified personnel, the level of competition and the Company's ability to respond to competitive developments. There can be no assurance that the Company will be successful in addressing the risks presented by such factors. The Company's operating results have fluctuated in the past, and may continue to fluctuate in the future, as a result of a variety of factors, including the timing of any material reduction, cancellation or completion of major projects, the loss of a major client, the loss or hiring of personnel, the timing of the opening or closing of an office, the relative mix of business, changes in the pricing strategies of the Company or its competitors, fluctuations in working capital, fluctuations in personnel and other costs relating to the expansion of operations, and other factors that are outside of the Company's control. As a result of these fluctuations, the Company believes that period to period comparisons cannot be relied upon as indicators of future performance. Due to all of the foregoing factors, in some future quarters the Company's operating results may fall below the expectations of securities analysts and investors. In such event, the trading price of the Class A Common Stock could likely be materially and adversely affected.

The Company experiences some variation in operating results throughout the year which result in part from timing of product introductions, business cycles of the Company's clients and marketing communications spending patterns in general. The Company's revenues have historically been higher during the second half of the Company's fiscal year. The Company expects this variation in operating results to continue in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors Affecting Operating Results."

The Company will incur a one-time, non-cash charge of approximately $ million in the second half of 1996 relating to the grant to certain employees of Modem Media of options to purchase limited partnership interests in Modem Media which were converted into options to purchase Class A Common Stock of the Company and the payment of certain amounts to the Selling Stockholders, each in connection with the Conversion. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview."

Dependence on Key Clients; Absence of Long-Term Contracts. The Company's five largest clients accounted for 63.4% and 67.0% of the Company's revenues (on a pro forma basis) for the fiscal year ended December 31, 1995 and the six months ended June 30, 1996, respectively, with fluctuations in the amount of revenue contribution from each such client from quarter to quarter. AT&T accounted for 37.8% and 43.0% of the Company's revenues (on a pro forma basis) for the fiscal year ended December 31, 1995 and for the six months ended June 30, 1996, respectively. AT&T accounted for 57.4%, 78.4%, and 84.4% of the revenues of Modem Media for fiscal years 1994 and 1995 and for the six months ended June 30, 1996. AT&T is also a client of certain of the Company's other business units, and there can be no assurance that the Company will be able to maintain the rate of growth or current level of revenues derived from AT&T or from any other client in the future.

Because the Company's clients generally hire the Company on an assignment basis rather than on a retainer basis, a client from whom the Company generates substantial revenue in one period may not be a substantial source of revenue in a subsequent period. In addition, the Company's clients generally have the right to terminate their relationships with the Company without penalty and on relatively short or no notice. As a result, the Company may gain or lose several significant clients each year, and there can be no assurance that new clients will be obtained or, if obtained, will offset any client losses. To the extent that the Company's major clients do not remain a significant source of revenues and the Company is unable to replace these clients, the Company's business, financial condition or results of operations could be materially adversely effected. Once an assignment is completed there can be no assurance that a client will engage the Company for further services. The termination of the Company's business relationship with any of its significant clients, including AT&T, or a material reduction in the use of the Company's services by a significant client could have a material adverse effect on the Company's business, financial condition or results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Company Clients."

Management of Growth; Risks Associated With Potential Acquisitions. The expansion of the Company's business and its customer base has resulted in a corresponding growth in the demands on the Company's management, its operating systems, internal controls, and financial and physical resources. The Company's continued growth, if any, may strain existing management and human resources, in particular, affecting its ability to attract and retain talented personnel. Further, operational, financial and management information systems and controls, may not be adequate to support continued growth of the Company's operations. Consequently, the Company may be required to increase expenditures to hire new employees, open new offices and invest in new equipment or other capital expenditures. Any failure to expand any of the foregoing areas in an efficient manner could have a material adverse effect on the Company's business, financial condition or results of operations. The

Company expects that it will need to develop further its financial and management controls, reporting systems and procedures to accommodate future growth, if any. There can be no assurance that the Company will be able to develop such controls, systems or procedures effectively or on a timely basis. The failure to do so could have a material adverse effect on the Company's business, financial condition or results of operations.

The Company has made in the past, and may make in the future, acquisitions of, or significant investments in, businesses, including those that offer complementary marketing communications services, products and technologies, or that expand the Company's geographic coverage. Any such future acquisitions or investments would be accompanied by risks, including the difficulty of assimilating the operations and personnel of the acquired businesses, the potential disruption of the Company's ongoing business, the inability of management to maximize the financial and strategic position of the Company through the successful incorporation of acquired personnel and clients, the maintenance of uniform standards, controls, procedures and policies, and the impairment of relationships with employees and clients as a result of any integration of new management personnel. These factors could have a material adverse effect on the Company's business, financial condition or results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Dependence on Key Personnel. The Company's success will depend on the ability of the Company's senior management, in particular, Gregory W. Blaine, Chairman and Chief Executive Officer, Gerald M. O'Connell, President and Chief Operating Officer, and Robert M. Greenberg, President, R/GA Interactive. The Company's success also will depend to a significant degree on the continuing contributions of other members of its senior management and its key account management, marketing, creative and technology development personnel, as well as its ability to attract and retain highly skilled personnel in all job categories. Competition for qualified personnel in the digital interactive marketing industry is intense. The Company has at times experienced, and continues to experience, difficulty in recruiting sufficient numbers of qualified personnel. Although certain members of the Company's senior management have entered into employment agreements with the Company, there can be no assurance that any of these executives will not voluntarily terminate their employment with the Company. The loss of the services of any senior management or other key employee or the inability to attract and retain additional personnel as required could adversely affect the Company's business, financial condition or results of operations. The Company has entered into an employment allocation agreement with True North and Mr. Greenberg which provides that Mr. Greenberg will devote not less than 50% of his time to his employment with the Company and the remainder to True North. If one or more of the Company's key employees resigns from the Company to join a competitor or to form a competing company, the loss of such personnel and any resulting loss of existing or potential clients to any such competitor could have a material adverse effect on the Company's business, financial condition or results of operations. In the event of the loss of any key personnel, there can be no assurance that the Company would be able to prevent the unauthorized disclosure or use of its technical knowledge, practices, procedures or client lists. See "Business--Competition," "--Employees" and "Management."

Competition; Low Barriers to Entry. The markets for the Company's services are highly competitive and are characterized by pressures to incorporate new capabilities, accelerate job completion schedules and reduce prices. The Company faces competition from a number of sources. These sources include traditional advertising agencies as well as specialized marketing communications firms. In addition, many advertising agencies have started to develop internally or enter into business relationships to develop or acquire new digital media and interactive communications capabilities. The Company also competes with interactive marketing communications companies that provide services (such as corporate identity and packaging, production, advertising services or Web site design) and are technologically proficient in the digital media and interactive communications fields. In addition, production houses, software developers, in-house marketing and information systems departments of organizations, interactive entertainment companies and graphic design companies compete with certain portions of the Company's business.

Certain of the Company's competitors or potential competitors have longer operating histories, longer client relationships and greater financial, management, technology, development, sales, marketing and other resources than the Company. Competition depends to a large extent on the clients' perception of the quality and creativity as well as the technical proficiency of digital interactive marketing products and services offered. The Company also competes on the basis of price and the ability to serve clients on a broad geographic basis. Moreover, clients frequently wish to have different products represented by different marketing companies. To the extent the Company loses clients to its competitors because of dissatisfaction with the Company's services or the Company's reputation is adversely impacted for any other reason, the Company's business, financial condition or operating results could be materially adversely affected.

There are relatively low barriers to entry in the digital interactive marketing industry. The Company expects that it will face additional competition from new market entrants. There can be no assurance that existing or future competitors will not develop or offer digital interactive marketing services and products that provide significant performance, price, creative or other advantages over those offered by the Company, which could have a material adverse effect on the Company's business, financial condition or operating results. See "Business--Competition."

Uncertainties of Developing Market for Digital Interactive Marketing Solutions. The market for digital interactive marketing solutions has recently begun to develop, is evolving rapidly and is characterized by an increasing number of market entrants. There can be no assurance that this market will continue to grow. The Company's future growth is dependent on its ability to create, develop and deploy digital interactive marketing solutions that are accepted by the Company's clients as an effective form of communication with their targeted audiences. Demand for and market acceptance of recently introduced products and services are subject to a high level of uncertainty and are dependent on a number of factors, including the growth in consumer access to and acceptance of new interactive technologies such as the Internet and the Web and the development of technologies that facilitate interactive communication between organizations and targeted audiences. Significant issues concerning the commercial use of these technologies (including security, reliability, cost, ease of use and quality of service) remain unresolved and may have a negative impact on the growth of marketing

activities that utilize these technologies. In addition, no standards have yet been widely accepted for the measurement of the effectiveness of interactive marketing, and there can be no assurance that such standards will develop sufficiently to support interactive marketing as a significant marketing medium. There can be no assurance that the market for the Company's products and services will develop, that the Company's products and services will be adopted or that individual personal computer users in business or at home will continue to use the Internet, the Web or other interactive media for commerce and communication. If the market for digital interactive marketing solutions fails to develop, or develops more slowly than expected, or if the Company's products do not achieve market acceptance, the Company's business, financial condition or results of operations could be materially and adversely affected. See "Business--Industry Background."

Dependence on Continued Growth in Use of the Internet and the World Wide Web. The Company's future success is substantially dependent on continued growth in the use of the Internet. Rapid growth in the use of and interest in the Internet is a recent phenomenon and there can be no assurance that such growth will continue at the same rate or at all or that communication or commerce over the Internet will become widespread. The Web may not prove to be a viable commercial marketplace for a number of reasons, including a potentially inadequate infrastructure that could lead to periodic shutdowns or the failure to develop performance improvements, including high speed modems. In addition, the Internet could lose its viability due to delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity, or due to increased governmental regulation. The applicability to the Internet of existing laws governing issues such as property ownership, libel and personal privacy is uncertain. Changes in or insufficient availability of telecommunications services to support the Internet also could result in slower response times and adversely affect usage of the Internet. If use of the Internet does not continue to grow, or if the Internet infrastructure does not effectively support the growth that may occur, the Company's business, financial condition or results of operations could be materially and adversely affected. See "Business--Industry Background."

Rapid Technological Change. The Company utilizes a number of different technology-based media in developing and deploying digital interactive marketing solutions for its clients. The technologies used in digital interactive marketing are developing rapidly and are characterized by evolving industry standards as well as frequent new product and service introductions and enhancements. There can be no assurance that the technologies utilized by the Company and the expertise gained in those technologies will continue to be applicable in the future. There can be no assurance that the Company can correctly identify which technologies will achieve market acceptance, that such new technologies will be made available to the Company or that such technologies can be economically applied by the Company on a timely basis. The inability to identify new and existing technologies and apply expertise in a timely manner to subsequent projects and respond to both evolving demands of the marketplace and competitive product and service offerings could have a material adverse effect on the Company's business, financial condition or results of operations. See "Business--Intellectual Property."

Conflicts of Interest. Conflicts of interest between clients are inherent in certain segments of the marketing communications industry. In certain circumstances, the Company has in the past been, and will in the future be, unable to pursue potential digital interactive marketing and other opportunities because such opportunities will require the Company to provide services to direct competitors of existing Company clients. In addition, the Company risks alienating or straining relationships with existing clients when it agrees to provide services to even indirect competitors of existing Company clients. Conflicts of interest may jeopardize the stability of revenues generated from existing clients and preclude access to business prospects, either of which could have a material adverse effect on the Company's business, financial condition or results of operations. In addition, prospective clients may choose not to retain the Company for reasons of actual or perceived conflicts of interest. See "Business--Competition."

Control of the Company; Anti-Takeover Effects of Certificate of Incorporation, Bylaws and Delaware Law. True North owns all of the shares of the Class B Common Stock, each share of which is entitled to seven votes per share, and will have approximately % of the combined voting power of both classes of Common Stock after the Offering. The purchasers of the shares of Class A Common Stock offered hereby will have one vote per share and approximately % of the combined voting power. Accordingly, without the approval of the Company's public stockholders, True North will be able to (i) elect a majority of the Company's directors, (ii) amend the Company's Certificate of Incorporation or effect a merger, sale of assets, or other major corporate transaction, (iii) defeat any non-negotiated takeover attempt, (iv) determine the amount and timing of dividends paid to itself and purchasers of Class A Common Stock and (v) otherwise control the management and operations of the Company and the outcome of virtually all matters submitted for a stockholder vote.

Currently, four of the nine directors of the Company are also members of senior management of True North and are compensated by True North in connection with their employment by True North. In addition, six of the current directors of the Company were selected by True North. These directors may have conflicts of interest in addressing certain business opportunities and strategies with respect to which the Company's and True North's interests differ. The Company has not adopted any formal plan or arrangement to address such potential conflicts of interest. The Company's Board of Directors currently has two vacancies, which the Company's bylaws authorize the Company's Board of Directors to fill. The Company intends to appoint two persons who are not officers or employees of the Company or True North to the Board of Directors within 90 days of the date of the Prospectus and is required to do so to maintain its listing on the Nasdaq National Market.

The Board of Directors of the Company has the authority to issue up to 5,000,000 shares of preferred stock of the Company ("Preferred Stock") and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of such stock without further stockholder approval. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. Issuance of Preferred Stock could have the effect of delaying, deferring or preventing a change in control of the Company. Furthermore, certain provisions of the Company's Certificate of Incorporation, Bylaws, and of Delaware law could have the effect of delaying, deferring or preventing a change in control of the Company, which could

adversely affect the market price of the Company's Class A Common Stock. The Company is subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law ("DGCL") which prohibits the Company from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of Section 203 could have the effect of delaying or preventing a change of control of the Company. See "Management," "Relationship With True North and Certain Transactions," "Principal and Selling Stockholders" and "Description of Capital Stock."

Exposure to Fixed-Fee Assignments. A portion of the Company's revenues are derived from fixed-fee based assignments. The Company assumes greater financial risk on fixed-fee based assignments than on time-and-materials assignments. In addition, the Company's revenue recognition policy with respect to fixed-fee based assignments requires the estimate of percentage of assignment completion. To the extent these estimates prove to be inaccurate, the revenues and operating profits, if any, reported for periods during which work on an assignment is ongoing may not accurately reflect the final results of the assignment, which can only be determined upon completion of the assignment. Failure to anticipate technical problems, estimate costs accurately, control costs during performance of a fixed-fee based assignment or obtain the client's consent to a fee adjustment in the event costs are underestimated may have a material adverse effect on the Company's business, financial condition or results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Uncertainties Regarding Intellectual Property Rights. The Company's success and ability to compete is dependent in part on its proprietary technology including those protections provided under trademark, trade secret and copyright laws. In addition, factors such as the technological and creative skills of its personnel, new product developments, frequent product enhancements, name recognition and reliable product maintenance are also important to establishing and maintaining a technology leadership position. The Company presently has no patents but has one patent application pending. There can be no assurance that such patent application will be allowed or that, if allowed, the application will be issued. Despite the Company's efforts to control access to its proprietary information, it may be possible for a third party to copy or otherwise obtain and use the Company's products or technologies without authorization, or to develop similar or superior technologies independently. In addition, effective copyright, trade secret and patent protection may be unavailable or limited in certain foreign countries. Litigation may be necessary in the future to enforce the Company's intellectual property rights, to protect the Company's trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's business, financial condition or results of operations.

The Company's strategy includes creating, developing and selling digital interactive marketing products based in part on proprietary applications and platforms. There can be no assurance that the Company will be able to develop any such proprietary processes, or, if developed, will be able to retain ownership rights of such processes. See "Business--Intellectual Property."

Risks Associated with International Operations. Although the Company currently has offices in Toronto, Hong Kong and London, to date the Company has provided only limited services internationally to certain of its clients headquartered in North America, and has only minimal direct international experience. A component of the Company's long-term strategy is to expand its operations in these and other international markets. There can be no assurance that the Company will be able to successfully market, sell and deliver its services in these regions. See "Business--Core Competencies."

Government Regulation. The marketing communications industry is subject to extensive government regulation, both domestic and foreign, with respect to the truth in and fairness of advertising. The Company must comply with Federal Trade Commission regulations with respect to the marketing of products and services and similar state regulations. In addition, there has been an increasing tendency in the United States on the part of businesses to resort to the judicial system to challenge comparative advertising of their competitors on the grounds that the advertising is false and deceptive. There can be no assurance that the Company will not be subject to claims made against it or its clients by other companies or governmental agencies or that any such claims, regardless of merit, would not have a material adverse effect on the Company's business, financial condition or results of operations. See "Business--Government Regulation."

Susceptibility to General Economic Conditions. The Company's revenues and results of operations, like those of other marketing companies, will be subject to fluctuations based upon general economic conditions in the United States. If there were to be a general economic downturn or a recession in the United States, the Company expects its clients could substantially and immediately reduce their marketing budgets leading to a reduction in the level of the Company's fees and commissions. In the event of a reduction in overall marketing expenditures, it is possible that marketers may focus their reduced budgets on traditional media advertising at the expense of digital interactive marketing expenditures. Most of the factors that could influence clients and prospective clients to reduce their marketing communications budgets under these circumstances are beyond the Company's control. In the event of such an economic downturn, the Company's business, financial condition or results of operations could be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Pro Forma Quarterly Results of Operations" and "--Factors Affecting Operating Results."

Unallocated Net Proceeds. The Company will use an aggregate of $ million of the net proceeds from the Offering for certain payments to the Selling Stockholders in connection with the Combination. The Company has not designated any specific use for the remaining net proceeds of the Offering. The Company currently expects to use substantially all of the net proceeds for general corporate purposes, including investments in working capital and capital expenditures. Accordingly, management will have significant discretion in applying the net proceeds of the Offering. See "Use of Proceeds" and "Relationship With True North and Certain Transactions."

No Prior Market for the Shares; Possible Volatility of Share Price. Prior to the Offering, there has been no public market for the Class A Common Stock. There can be no assurance that an active trading market will develop after the Offering or, if an active trading market does develop, that such market

will be sustained. The initial public offering price of the Class A Common Stock will be determined by negotiation among the Company, the Selling Stockholders and the Representatives and may not be indicative of the market price of the Class A Common Stock after the Offering. See "Underwriters" for a discussion of the factors to be considered in determining the initial public offering price.

The market price for the Class A Common Stock may be significantly affected by factors such as the announcement of new products or services by the Company or its competitors, technological innovation by the Company or its competitors, quarterly variations in the Company's operating results or the operating results of the Company's competitors, changes in earnings estimates by analysts or reported results that vary materially from such estimates. In addition, the stock market has experienced significant price fluctuations that have particularly affected the market prices of equity securities of many high technology and emerging growth companies and that often have been unrelated to the operating performance of such companies. These broad market fluctuations may materially and adversely affect the market price of the Class A Common Stock. Following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against such a company and its officers and directors. Any such litigation against the Company could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business, financial condition or results of operations.

Shares Eligible for Future Sale. Upon consummation of the Offering, the shares of Class A Common Stock (shares if the Underwriters' over- allotment option is exercised in full) offered hereby will be freely tradeable without restriction. The Company intends to file a registration statement approximately 90 days after the Offering to register the shares of Class A Common Stock reserved for issuance under the Company's 1996 Stock Option Plan and 1996 Employee Stock Purchase Plan and the shares of Class A Common Stock issuable upon the exercise of options granted to certain employees of Modem Media in connection with the Conversion. Upon the filing of such registration statement, an additional shares of Class A Common Stock issuable upon exercise of vested stock options will be freely tradeable without restriction. Sales of substantial numbers of shares of Common Stock into the public market after the Offering, or the perception that such sales could occur, could materially and adversely affect the market price of the Class A Common Stock prevailing from time to time or could impair the Company's future ability to obtain capital through an offering of equity securities. See "Description of Capital Stock" and "Shares Eligible for Future Sale."

Immediate and Substantial Dilution to New Investors; Potential Future Dilution. The initial public offering price is substantially higher than the pro forma net tangible book value per share of the Class A Common Stock immediately after the Offering. Investors purchasing Class A Common Stock in the Offering will, therefore, incur immediate and substantial dilution of approximately $ in the pro forma net tangible book value per share of Class A Common Stock from the initial public offering price. In addition, the options to purchase Class A Common Stock granted to certain employees of Modem Media in connection with the Conversion are exercisable for shares of the Company's Class A Common Stock. The Company seeks to attract and retain employees in part by offering stock options and other rights to purchase its Class A Common Stock. Concurrently with the Offering, the Company will grant options to purchase an aggregate of shares of Class A Common Stock to officers and employees of the

Company under the Company's 1996 Stock Option Plan at an exercise price equal to the initial public offering price. Subsequently, the Company intends to grant stock options at an exercise price equal to the fair market value of Class A Common Stock. Pursuant to the Company's Certificate of Incorporation, in the event True North sells any of its shares of Class B Common Stock to a third party, such shares shall automatically convert into Class A Common Stock at a rate of 1.015 shares of Class A Common Stock for each share of Class B Common Stock. shares of Class A Common Stock are reserved for issuance under the Company's 1996 Stock Option Plan, 1996 Employee Stock Purchase Plan, upon exercise of options granted to certain employees of Modem Media in connection with the Conversion and upon conversion of the Class B Common Stock into Class A Common Stock. The issuance of shares of Class A Common Stock upon conversion of the Class B Common Stock will have the effect of reducing the percentage ownership in the Company of the then existing stockholders. See "Capitalization," "Dilution," "Management--Stock Plans" and "Description of Capital Stock."

The Company

The Company was formed in October 1996. Following the Conversion, the Company acquired the True North Units, which included substantially all of the assets and properties of Northern Lights Interactive, R/GA Interactive and Cf2GS, as well as True North's technology development operations. See "Relationships With True North and Certain Transactions."

In connection with the Combination, the Company and True North have entered into certain intercompany agreements providing for various interim and ongoing services and relationships between the two companies, including an intercompany credit agreement, a tax matters agreement, an intellectual property agreement, an administrative services agreement and a real estate space sharing agreement. See "Risk Factors--Dependence on Relationship With True North," "--Control of the Company; Anti-Takeover Effects of Certificate of Incorporation, Bylaws and Delaware Law" and "Relationship With True North and Certain Transactions."

The Company's principal executive office is located at 228 Saugatuck Avenue, Westport, Connecticut 06880, and its telephone number is (203) 341-5200. The Company maintains Web sites at http://www.modemmedia.com and http://www.rga.com. Information contained in the Company's Web sites shall not be deemed to be a part of this Prospectus.

Use of Proceeds

The net proceeds to the Company from the sale of the shares of Class A Common Stock being offered by the Company hereby are estimated to be approximately $ million (approximately $ million if the Underwriters' over-allotment option is exercised in full) at an assumed initial public offering price of $ per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company. The Company will not receive any of the proceeds from the sale of shares of Class A Common Stock by the Selling Stockholders. See "Principal and Selling Stockholders." The principal purposes of the Offering are to obtain additional capital, to create a public

market for the Company's Class A Common Stock and to facilitate future access by the Company to public equity markets. In addition, the Company is undertaking the Offering because it believes that the availability of adequate financial resources is a substantial competitive factor in its industry. The Company expects to use the net proceeds from the Offering for general corporate purposes, including investments in working capital and capital expenditures. A portion of the net proceeds of the Offering may also be used to acquire or invest in complementary businesses or products, to obtain the right to use complementary technologies or to invest in geographic expansion. The Company has no present plans, agreements or commitments and is not currently engaged in any negotiations with respect to any such transactions. Pending use of the net proceeds for the above purposes, the Company intends to invest such funds in short-term, interest-bearing, investment grade obligations.

The Company will use an aggregate of $ million of the net proceeds from the Offering for certain payments to the Selling Stockholders in connection with the Combination. The Selling Stockholders will sell an aggregate of shares of Class A Common Stock in the Offering. The Company has agreed to pay the underwriting discounts and commissions relating to the shares of Class A Common Stock to be sold by the Selling Stockholders. See "Relationship With True North and Certain Transactions."

Dividend Policy

The Company has never paid cash dividends on its Common Stock or other securities. The Company anticipates that it will retain any future earnings for use in the expansion and operation of its business and does not anticipate paying any cash dividends in the foreseeable future.

Capitalization

The following table sets forth at June 30, 1996 Modem Media's total capitalization on an historical basis and the Company's total capitalization on a pro forma basis and as adjusted to give effect to the sale of the shares of Class A Common Stock offered by the Company hereby (at an assumed initial public offering price of $ per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company) and the application of the net proceeds therefrom as described herein under "Use of Proceeds."

JUNE 30, 1996 PRO PRO FORMA HISTORICAL FORMA (1) AS ADJUSTED (2) (IN THOUSANDS) Capital lease obligations, less current portion..... $ 161 $ 161 $ 161 Partners' capital..... 4,223 -- -- Stockholders' equity: Common Stock, $0.001 par value; shares of Class A Common Stock and shares of Class B Common Stock authorized, shares of Class A Common Stock and shares of Class B Common Stock issued and outstanding, actual; shares of Class A Common Stock and shares of Class B Common Stock authorized, shares of Class A Common Stock and shares of Class B Common Stock issued and outstanding, as adjusted.... Additional paid-in capital..... Retained earnings..... Total stockholders' equity..... -- 32,435 Total capitalization..... $ 4,384 $32,596 $ (1) Gives effect to the Conversion and the Combination. (2) As adjusted to reflect the sale of the shares of Class A Common Stock offered by the Company hereby at an assumed initial public

offering price of $ per share and application of the net proceeds therefrom (after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company). Excludes an aggregate of shares of Class A Common Stock reserved for issuance upon exercise of options granted to certain employees of Modem Media in connection with the Conversion. Also excludes an aggregate of shares of Class A Common Stock reserved for issuance pursuant to the Company's 1996 Stock Option Plan, of which the Company intends to grant to certain officers and employees of the Company options to purchase shares of Class A Common Stock at the initial public offering price concurrently with the consummation of the Offering, and shares of Class A Common Stock reserved for issuance pursuant to the Company's 1996 Employee Stock Purchase Plan. The Company will incur a one-time, noncash charge of approximately $ million in the second half of 1996 relating to the grant by Modem Media to certain of its employees of options to purchase limited partnership interests in Modem Media, which were converted into options to purchase Class A Common Stock of the Company in connection with the Conversion, and the payment of certain amounts to the Selling Stockholders in connection with the Conversion. See "Risk Factors--Limited Operating History; Variability of Operating Results," "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Pro Forma Quarterly Results of Operations."

Dilution

The pro forma net tangible book value of the Company as of June 30, 1996 was $9.5 million or $ per share of Common Stock. Net tangible book value per share is determined by dividing the net tangible book value of the Company (total tangible assets less total liabilities) by the number of outstanding shares of Common Stock. After giving effect to the sale by the Company of the shares of Class A Common Stock offered hereby (at an assumed initial public offering price of $ per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company), the Company's adjusted pro forma net tangible book value at June 30, 1996 would have been approximately $ or $ per share. This represents an immediate increase in pro forma net tangible book value to existing stockholders of $ per share and an immediate dilution to new investors of $ per share. The following table illustrates the per share dilution:

Assumed initial public offering price per share..... $ Pro forma net tangible book value per share as of June 30, 1996.. $ Increase in net tangible book value per share attributable to new investors..... Pro Forma net tangible book value per share after the Offering... Dilution per share to new investors..... $ The following table sets forth on a pro forma basis as of June 30, 1996 the difference between the number of shares of Common Stock purchased from the Company, the total consideration paid, and the average price per share paid by existing stockholders and by the new investors (at an assumed initial public offering price of $ per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company):

	SHARES PURCHASED	TOTAL CONSIDERATION

	NUMBER	PERCENT	AMOUNT	PERCENT	AVERAGE PRICE PER SHARE
Existing stockholders.....		%	$	%	$
New investors.....		%		%	
Total.....		100%	$	100%	

The foregoing table assumes no exercise of the Underwriters' over-allotment option.

The above table gives effect to the Conversion and Combination. The table above excludes an aggregate of shares of Class A Common Stock reserved for issuance upon exercise of options granted to certain employees of Modem Media prior to the Conversion which were converted into options to purchase Class A Common Stock of the Company in connection with the Conversion. Also excludes an aggregate of shares of Class A Common Stock reserved for issuance pursuant to the Company's 1996 Stock Option Plan, of which the Company intends to grant to certain officers and employees of the Company options to purchase shares of Class A Common Stock at the initial public offering price concurrently with the consummation of the Offering, and shares of Class A Common Stock reserved for issuance pursuant to the Company's 1996 Employee Stock Purchase Plan. See "Management--Stock Plans," "Relationship With True North and Certain Transactions" and "Description of Capital Stock."

Selected Financial Data

The selected financial data of Modem Media, as predecessor of the Company, have been included in this Prospectus. The following selected financial data should be read in conjunction with the financial statements and notes thereto of Modem Media and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein. The statement of operations data for the fiscal years ended December 31, 1993, 1994 and 1995 and the balance sheet data as of December 31, 1994 and 1995 are derived from financial statements of Modem Media that have been audited by Arthur Andersen LLP, independent auditors, and are included elsewhere in this Prospectus. The statement of operations data for the fiscal years ended December 31, 1991 and 1992 and the balance sheet data as of December 31, 1991, 1992 and 1993 are derived from the unaudited financial statements of Modem Media that are not included herein. The unaudited pro forma data presented is included elsewhere in this Prospectus. The unaudited six month selected financial data reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results of the interim periods. The operating results for the six months ended June 30, 1995 and 1996 are not necessarily indicative of the results to be expected for any other interim period or any other future fiscal year. The historical results are not necessarily indicative of the results of operations to be expected in the future.

	YEAR ENDED DECEMBER 31,					PRO FORMA YEAR ENDED DECEMBER 31,	SIX MONTHS ENDED JUNE 30,		PRO FORMA SIX MONTHS ENDED JUNE 30,	
	1991	1992	1993	1994	1995	1995	1995	1996	1995	1996
	(UNAUDITED)						(UNAUDITED)			
	(IN THOUSANDS)									
STATEMENT OF OPERATIONS DATA:										

Revenues.....	$1,190	$1,306	$1,221	$4,335	$11,719	$24,541	$4,449	$7,908	$10,034	$16,033
Total operating expenses.....	887	1,146	740	3,098	7,766	24,693	2,542	6,620	9,514	18,129
Operating income (loss).	303	160	481	1,237	3,953	(152)	1,907	1,288	520	(2,096)
Net income (loss) (1)...	303	155	484	1,241	3,960	(806)	1,911	1,277	(61)	(1,574)

	DECEMBER 31,					JUNE 30,	PRO FORMA JUNE 30,
	1991	1992	1993	1994	1995	1996	1996
	(UNAUDITED)					(UNAUDITED)	
	(IN THOUSANDS)						
BALANCE SHEET DATA:							
Cash.....	$ 22	$ --	$ 1	$ 2	$ 184	$ 518	$ 765
Working capital.....	349	249	402	1,034	2,698	2,746	4,858
Total assets.....	473	350	565	1,854	7,463	8,423	42,860
Capital lease obligations, less current portion.....	--	--	--	--	186	161	161
Partners' capital/Stockholders' equity.....	372	295	472	1,327	3,762	4,223	32,435

(1) No provision for income taxes was made by Modem Media for the fiscal years ended December 31, 1991, 1992, 1993, 1994 and 1995 and for the six month periods ended June 30, 1995 and 1996 because Modem Media was a partnership for all such periods.

Pro Forma Financial Information

The following unaudited pro forma financial information is derived from the combination of the financial statements of Modem Media and the True North Units and, for the fiscal year ended December 31, 1995 and the six month period ended June 30, 1995, R/GA Interactive. The pro forma financial information is intended to present the results of operations and financial position of the Company as if the acquisition of R/GA Interactive by the True North Units, the Conversion and the Combination had occurred on January 1, 1995.

The pro forma financial information may not be indicative of the results that actually would have occurred if the Conversion and the Combination had occurred at the beginning of the period indicated or that may be obtained in the future. The pro forma adjustments described in the accompanying notes to these pro forma statements of operations and balance sheets are based on available information and upon certain assumptions that management believes are reasonable. The pro forma statements of operations and balance sheets and notes thereto should be read in conjunction with the financial statements and notes thereto of Modem Media, the True North Units and R/GA Interactive, Inc., all of which are included elsewhere in this Prospectus.

YEAR ENDED DECEMBER 31, 1995 R/GA INTERACTIVE MODEM TRUE NORTH PRE- PRO MEDIA UNITS (1) ACQUISITION (2) ADJUSTMENTS FORMA (UNAUDITED) (IN THOUSANDS)

STATEMENT OF OPERATIONS DATA:					
Revenues.....	$11,719	$11,439	$1,383	$ --	$24,541

Salaries and benefits expenses	5,542	7,446	681	--	13,669
Office and general expenses	2,224	5,728	1,366	--	9,318
Goodwill and other intangibles amortization	--	164	--	1,542(3)	1,706
Total operating expenses	7,766	13,338	2,047	1,542	24,693
Operating income (loss)	3,953	(1,899)	(664)	(1,542)	(152)
Other, net	7	4	--	--	11
Income (loss) before provision (benefit) for income taxes	3,960	(1,895)	(664)	(1,542)	(141)
Provision (benefit) for income taxes	--	(873)	--	1,538(4)	665
Net income (loss)	$ 3,960	$(1,022)	$ (664)	$(3,080)	$ (806)

(1) Includes Northern Lights Interactive, Cf2GS and the technology development operations of True North for the full year 1995 and R/GA Interactive for the period July 1, 1995 to December 31, 1995. (2) True North acquired R/GA Interactive on July 1, 1995. The transaction was accounted for using the purchase method of accounting. As a result, the True North Units' financial statements for 1995 include R/GA Interactive from the date of purchase and do not include the results of R/GA Interactive for the period January 1, 1995 to June 30, 1995. (3) Represents six months amortization of R/GA Interactive goodwill and the estimated amortization of goodwill as a result of the Combination. (4) Reflects income taxes which would have been paid by Modem Media if Modem Media had operated as a corporation rather than as a partnership. Also reflects the tax benefit associated with R/GA Interactive pre-acquisition. Also reflects adjustment to the True North Units' tax benefit to reflect the effective tax rate.

	SIX MONTHS ENDED JUNE 30, 1996			
	MODEM MEDIA	TRUE NORTH UNITS	ADJUSTMENTS	PRO FORMA
	(UNAUDITED, IN THOUSANDS)			
STATEMENT OF OPERATIONS DATA:				
Revenues	$7,908	$ 8,125	$ --	$16,033
Salaries and benefits expenses	4,921	6,129	--	11,050
Office and general expenses	1,699	4,527	--	6,226
Goodwill and other intangibles amortization	--	164	689(1)	853
Total operating expenses	6,620	10,820	689	18,129
Operating income (loss)	1,288	(2,695)	(689)	(2,096)
Other, net	(11)	--	--	(11)
Income (loss) before provision (benefit) for income taxes	1,277	(2,695)	(689)	(2,107)
Provision (benefit) for income taxes	--	(1,206)	673(2)	(533)
Net income (loss)	$1,277	$(1,489)	$(1,362)	$(1,574)

(1) Represents the estimated amortization of goodwill as a result of the Combination. (2) Reflects income taxes which would have been paid by Modem Media if Modem Media had operated as a corporation rather than as a partnership. Also reflects adjustment to the True North Units' tax benefit to reflect the effective tax rate.

SIX MONTHS ENDED JUNE 30, 1995 R/GA INTERACTIVE PRE- MODEM TRUE NORTH ACQUISITION PRO MEDIA UNITS (1) (2) ADJUSTMENTS FORMA (UNAUDITED) (UNAUDITED) (IN THOUSANDS)

STATEMENT OF OPERATIONS DATA:					
Revenues	$4,449	$4,202	$1,383	$ --	$10,034
Salaries and benefits expenses	1,942	2,367	681	--	4,990
Office and general expenses	600	1,705	1,366	--	3,671
Goodwill and other intangibles amortization	--	9	--	844(3)	853
Total operating expenses	2,542	4,081	2,047	844	9,514
Operating income (loss)	1,907	121	(664)	(844)	520
Other, net	4	--	--	--	4
Income (loss) before provision (benefit) for income taxes	1,911	121	(664)	(844)	524
Provision (benefit) for income taxes	--	(9)	--	594(4)	585
Net income (loss)	$1,911	$ 130	$ (664)	$(1,438)	$ (61)

(1) Includes Northern Lights Interactive, Cf2GS and the technology development operations of True North. (2) True North acquired R/GA Interactive on July 1, 1995. The transaction was accounted for using the purchase method of accounting. As a result, the True North Units' financial statements for 1995 include R/GA Interactive from the date of purchase and do not include the results of R/GA Interactive for the period January 1, 1995 to June 30, 1995. (3) Represents six months amortization of R/GA Interactive goodwill and the estimated amortization of goodwill as a result of the Combination. (4) Reflects income taxes which would have been paid by Modem Media if Modem Media had operated as a corporation rather than as a partnership. Also reflects the tax benefit associated with R/GA Interactive pre-acquisition. Also reflects adjustment to the True North Units' tax benefit to reflect the effective tax rate.

	JUNE 30, 1996			
	MODEM MEDIA	TRUE NORTH UNITS	ADJUSTMENTS	PRO FORMA
	(UNAUDITED, IN THOUSANDS)			
BALANCE SHEET DATA:				
Cash	$ 518	$ 247	$ --	$ 765
Accounts receivable	4,941	5,419	--	10,360
Accrued revenues	857	462	--	1,319
Unbilled charges	405	397	--	802
Income taxes receivable	--	1,715	(1,715)(1)	--
Prepaid expenses and other current assets	64	108	270 (2)	442
Total current assets	6,785	8,348	(1,445)	13,688
Property and equipment --cost	2,144	5,151	(601)(3)	6,694
--accumulated depreciation	(573)	(601)	601 (3)	(573)
	1,571	4,550	--	6,121
Goodwill and other intangibles	--	3,585	19,397 (3)	22,982
Other assets	67	2	--	69
Total assets	$ 8,423	$16,485	$17,952	$42,860
Accounts payable	$ 2,336	$ 1,430	--	$ 3,766

Other current liabilities	906	409	--	1,315
Advanced billings	675	2,952	--	3,627
Current portion of capital lease obligations	122	--	--	122
Total current liabilities	4,039	4,791	--	8,830
Deferred tax liability	--	376	1,058 (2)	1,434
Intercompany loans payable	--	13,534	(13,534)(1)	--
Capital lease obligations, less current portion	161	--	--	161
Partners' capital/Stockholders' equity	4,223	(2,216)	30,428 (1)(2)(3)	32,435
Total liabilities and stockholders' equity	$ 8,423	$16,485	$17,952	$42,860

(1) Represents the contribution of intercompany debt and income taxes receivable by True North to the True North Units. (2) To provide for income taxes related to the Conversion. (3) Represents revaluation of assets and liabilities of the True North Units to fair market value.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" and elsewhere in this Prospectus.

Overview

The Company was formed in October 1996. Following the Conversion, the Company acquired the True North Units, which included substantially all of the assets and properties of Northern Lights Interactive, R/GA Interactive and Cf2GS, as well as True North's technology development operations. See "Relationship With True North and Certain Transactions."

The Company's revenues are derived principally from fees for interactive marketing and digital design and production services rendered, and to a lesser extent, fees for traditional advertising, direct marketing and database management services rendered and commissions on media and production costs. Interactive marketing operations include: customized product positioning; creation, production, updating and maintenance of Web sites and other communications; analysis of customer requests, purchases and behaviors; delivery of uniform and updated information tools for sales forces; and technical consulting. The Company's clients generally hire the Company on an assignment basis rather than on a retainer basis. Except for services performed by R/GA Interactive, revenues are recognized from clients on either a time-plus-cost of materials basis or on a fixed-fee basis with pass through of

third-party production and media costs and are stated net of such third- party costs. R/GA Interactive's revenues include certain third-party production and media costs not separately recoverable from clients. Revenues are recognized as services are performed (or, in the case of fixed fee projects, on a percentage of completion method based on labor costs incurred), and any payments received in advance of services performed are recorded as advance billings. Provisions for losses on uncompleted contracts are recognized in the period in which such losses are determined. Pro forma revenues derived from digital interactive marketing activities accounted for 72.5% of total pro forma revenues in the first six months of 1996.

Salaries and benefits represent a majority of the Company's operating expenses. These expenses include compensation, bonus payments, payroll taxes, employment insurance costs, temporary and freelance labor, and, with respect to Modem Media, compensation payments to partners. Office and general expenses are comprised of depreciation, office rent, office equipment and rental, utilities, professional and consulting fees, R/GA Interactive's third-party production expenses, travel and entertainment, office supplies and other related expenses.

In connection with the Combination, the Company and True North have entered into certain intercompany agreements providing for various interim and ongoing services and relationships. The costs for such services are primarily allocated to the Company based on the Company's pro rata share of the costs of those services, or in some instances, the additional costs to True North for providing such services to the Company. True North will continue to provide certain of these services for a period of twelve months following the Combination, and may terminate such services on six months' prior written notice. In addition, income taxes were calculated as if the Company and True North filed separate tax returns and True North's tax strategies may not necessarily reflect the tax strategies of the Company. See "Relationship With True North and Certain Transactions."

The historical financial statements of Modem Media, as predecessor of the Company, are presented in the Summary and Selected Financial Data included in this Prospectus. Because the Conversion and the Combination were effective following the periods covered by the historical financial statements included herein, such statements do not reflect the current composition of the Company. Management believes that the pro forma statement of operations data presented in the pro forma financial information and discussed below, which gives effect to the Conversion and the Combination as if both had occurred at the beginning of the periods presented, is useful in evaluating the effect of these transactions on the Company. Such pro forma information may not, however, be indicative of the results of operations of the Company that actually would have occurred had the Conversion and the Combination occurred at the beginning of such periods, or of the results of operations that may be obtained by the combined businesses in the future.

The Company will incur a one-time, non-cash charge of approximately $ million in the second half of 1996 relating to the grant to certain employees of Modem Media of options to purchase limited partnership interests in Modem Media which were converted into options to purchase Class A

Common Stock of the Company and the payment of certain amounts to the Selling Stockholders, each in connection with the Conversion. See "Risk Factors--Limited Operating History; Variability of Operating Results."

Historical and Pro Forma Results of Operations

The following table sets forth certain items from Modem Media's historical and the Company's pro forma statements of operations included elsewhere in this Prospectus.

	YEAR ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,			
			1995		HISTORICAL		PRO FORMA	
	1993	1994	HISTORICAL	PRO FORMA	1995	1996	1995	1996
					(UNAUDITED)			
			(IN THOUSANDS)					
Revenues	$1,221	$4,335	$11,719	$24,541	$4,449	$7,908	$10,034	$ 16,033
Salaries and benefits expenses	406	2,239	5,542	13,669	1,942	4,921	4,990	11,050
Office and general expenses	334	859	2,224	9,318	600	1,699	3,671	6,226
Goodwill and other intangibles amortization	--	--	--	1,706	--	--	853	853
Operating income (loss)	481	1,237	3,953	(152)	1,907	1,288	520	(2,096)
Other, net	3	4	7	11	4	(11)	4	(11)
Provision (benefit) for income taxes	--	--	--	665	--	--	585	(533)
Net income (loss)	$ 484	$1,241	$ 3,960	$ (806)	$1,911	$1,277	$ (61)	$ (1,574)

The following table sets forth certain items from Modem Media's historical and the Company's pro forma statements of operations as a percentage of total revenues on an historical and a pro forma basis for the periods indicated:

	YEAR ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,			
			1995		HISTORICAL		PRO FORMA	
	1993	1994	HISTORICAL	PRO FORMA	1995	1996	1995	1996
					(UNAUDITED)			
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Salaries and benefits expenses	33.2	51.7	47.3	55.7	43.7	62.2	49.7	68.9
Office and general expenses	27.4	19.8	19.0	38.0	13.5	21.5	36.6	38.8
Goodwill and other intangibles amortization	--	--	--	6.9	--	--	8.5	5.3
Operating income (loss)	39.4	28.5	33.7	(0.6)	42.8	16.3	5.2	(13.0)
Other, net	0.2	0.1	0.1	--	0.1	(0.1)	--	(0.1)
Provision (benefit) for income taxes	--	--	--	2.7	--	--	5.8	(3.3)
Net income (loss)	39.6%	28.6%	33.8%	(3.3)%	42.9%	16.2%	(0.6)%	(9.8)%

PRO FORMA SIX MONTHS ENDED JUNE 30, 1995 COMPARED TO PRO FORMA SIX MONTHS ENDED JUNE 30, 1996 Revenues. Pro forma revenues increased $6.0 million, or 59.8%, from $10.0 million in the six months ended June 30, 1995 to $16.0 million in the same period in 1996. Revenues derived from Modem Media represented 44.3% and 49.3% of pro forma revenues for such periods in 1995 and 1996, respectively, with the remainder from the True North Units (assuming the acquisition

of R/GA Interactive as of January 1, 1995). Pro forma revenues increased primarily as a result of increased services provided to existing clients, principally AT&T, the completion of certain projects for existing clients and, to a lesser extent, services provided to new clients of the Company, partially offset by reduced revenues received from certain existing clients. Pro forma revenues from services performed for AT&T represented 32.5% and 43.0% of the Company's pro forma revenues for the six months ended June 30, 1995 and 1996, respectively.

Salaries and Benefits Expenses. Pro forma salaries and benefits expenses increased $6.1 million, or 121.4%, from $5.0 million in the six months ended June 30, 1995 to $11.1 million in the same period in 1996. Salaries and benefits expenses represented 49.7% and 68.9% of pro forma revenues in the six months ended June 30, 1995 and 1996, respectively. During the six months ended June 30, 1995, the Company's rate of revenue growth exceeded the rate of growth in salaries and benefits expenses, in particular at Modem Media. During the first six months of 1996, Modem Media and the True North Units increased personnel to manage growth and actively pursue new client business. Also, during the first half of 1996, the Company expanded R/GA Interactive's operations, which contributed to increased salaries and benefits expenses. In addition, certain of the Company's digital interactive marketing and technology development operations have incurred significant salaries and benefits expenses, but have not generated significant revenues. The Company intends to add staff to meet its future growth, if any, as well as to enhance its financial systems and to integrate the combined businesses. As a result, the Company expects that salaries and benefits expenses will continue to represent a significant percentage of the Company's revenues.

Office and General Expenses. Pro forma office and general expenses increased $2.5 million, or 69.6%, from $3.7 million in the six months ended June 30, 1995 to $6.2 million in the same period in 1996. Office and general expenses represented 36.6% and 38.8% of pro forma revenues in the six months ended June 30, 1995 and 1996, respectively. The increase in pro forma office and general expenses was due primarily to increased office rent, principally as a result of Modem Media relocating to larger offices in the second half of 1995; increased depreciation expense, resulting principally from capital expenditures for equipment for new employees and the Company's intranet products; and increased utility costs, resulting from the increased number of employees and the cost of upgrading telecommunications equipment. In addition, costs associated with the operations of Northern Lights Interactive and increased fees and services from third-party providers used by R/GA Interactive, as well as the opening of R/GA Interactive's Los Angeles office, contributed to the increase in pro forma office and general expenses. The Company anticipates that office and general expenses will continue to represent a significant percentage of the Company's revenues.

Goodwill and Other Intangibles Amortization. Goodwill and other intangibles amortization is principally related to the Combination and the acquisition of R/GA Interactive.

Operating Income (Loss). As a result of the foregoing, the pro forma operating income for the six months ended June 30, 1995 was $520,000, compared to a pro forma net operating loss of $2.1 million for the six months ended June 30, 1996. Approximately $850,000 of the Company's pro forma

operating loss for the six months ended June 30, 1996 is attributable to the Los Angeles office of R/GA Interactive, which was closed subsequent to the second quarter of 1996.

Income Taxes. No provision for income taxes was made by Modem Media in the six month periods ended June 30, 1995 and 1996 as a result of its partnership structure. The Company's effective tax rate (on a pro forma basis) was 111.7% for the six months ended June 30, 1995. For the six months ended June 30, 1996, the Company recorded a tax benefit at an effective rate of 25.3%. These rates differ from the federal statutory rate primarily due to the effect of non-deductible goodwill amortization and the effect of state income taxes.

Net Income (Loss). Pro forma net loss was $60,000 in the six months ended June 30, 1995 as compared to a net loss of $1.6 million in the same period of 1996.

Pro Forma Quarterly Results of Operations

The following tables present certain unaudited statements of operations data on a pro forma basis for the six fiscal quarters ended June 30, 1996 as well as such data expressed as a percentage of the Company's total pro forma revenues for the periods indicated. These data are based on unaudited pro forma financial statements of the Company and have been prepared by the Company on a basis consistent with the financial statements included elsewhere in this Prospectus, after giving effect to the Conversion and the Combination. These data include all adjustments that the Company considers necessary for a fair presentation thereof.

THREE MONTHS ENDED MAR. 31, JUNE 30, SEP. 30, DEC. 31, MAR. 31, JUNE 30, 1995 1995 1995 1995 1996 1996 (UNAUDITED, IN THOUSANDS)

STATEMENTS OF OPERATIONS DATA:						
Revenues	$4,864	$5,170	$5,938	$8,569	$7,820	$8,213
Salaries and benefits expenses	2,204	2,786	3,318	5,361	5,581	5,469
Office and general expenses	1,839	1,832	2,468	3,179	3,202	3,024
Goodwill and other intangibles amortization	427	426	426	427	426	427
Operating income (loss).	394	126	(274)	(398)	(1,389)	(707)
Other, net	--	4	(1)	8	(2)	(9)
Provision (benefit) for income taxes	349	236	64	16	(410)	(123)
Net income (loss)	$ 45	$ (106)	$ (339)	$ (406)	$ (981)	$ (593)
AS A PERCENTAGE OF REVENUES:						
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Salaries and benefits expenses	45.3	53.9	55.9	62.5	71.4	66.6
Office and general expenses	37.8	35.4	41.5	37.1	40.9	36.8
Goodwill and other intangibles amortization	8.8	8.3	7.2	5.0	5.5	5.2
Operating income (loss).	8.1	2.4	(4.6)	(4.6)	(17.8)	(8.6)
Other, net	--	0.1	--	0.1	--	(0.1)

Provision (benefit) for income taxes	7.2	4.6	1.1	0.2	(5.2)	(1.5)
Net income (loss)	0.9%	(2.1)%	(5.7)%	(4.7)%	(12.6)%	(7.2)%

Revenues. Pro forma revenues increased from the third to fourth quarter of 1995 primarily as a result of increased business with the Company's existing clients (principally the implementation of new programs for the Company's major clients) as well as revenues derived from Northern Lights Interactive, which was established by True North in the fourth quarter of 1995, and R/GA Interactive. To a lesser extent, business from new clients contributed to the increase in pro forma revenues in the fourth quarter. The decrease in pro forma revenues from the fourth quarter of 1995 to the first and second quarters of 1996 primarily reflects seasonal trends of the Company's industry. The Company experiences some variation in operating results throughout the year which result in part from timing of product introductions, business cycles of the Company's clients and marketing communications spending patterns in general. The Company's revenues have historically been higher during the second half of the Company's fiscal year.

Salaries and Benefits Expenses. Pro forma salaries and benefits expenses generally increased over the six quarters ended June 30, 1996 and exceeded the rate of the growth of pro forma revenues, increasing from a low of 45.3% of pro forma revenue in the first quarter of 1995 to a high of 71.4% of pro forma revenues in the first quarter of 1996. Salaries and benefits expenses were 66.6% of pro forma revenues in the second quarter of 1996. During late 1995 and the first six months of 1996, Modem Media, as well as the True North Units, increased personnel to manage growth and actively pursue new client business. In addition, certain of the Company's digital interactive marketing and technology development operations to date have incurred significant salaries and benefits expense, but have not recorded significant revenues. The Company anticipates that it will continue to incur substantial costs to hire and train personnel for these operations for the foreseeable future. The expansion of the R/GA Interactive operations to open a Los Angeles office in the fourth quarter of 1995, which subsequently closed after the end of the second quarter of 1996, also contributed to the increase in pro forma salaries and benefits expenses.

Office and General Expenses. Pro forma office and general expenses have increased over the six quarters ended June 30, 1996 consistent with the growth in revenues for these periods and, as a result, pro forma office and general expenses as a percentage of pro forma revenues have remained relatively stable, ranging from a low of 35.4% in the second quarter of 1995 to a high of 41.5% in the third quarter of 1995 and were 36.8% in the second quarter of 1996. The expansion of the R/GA Interactive operations, and the development of certain of the Company's digital interactive marketing (Northern Lights Interactive) and technology development operations which have incurred increased costs during the past six quarters without generating a significant increase in revenues, has resulted in pro forma office and general expenses representing a relatively high percentage of the Company's pro forma revenues.

Operating Income (Loss). Pro forma operating income for the five quarters ended March 31, 1996 steadily declined. The operations of R/GA Interactive, Northern Lights Interactive and the Company's technology group have resulted in operating losses due to the expansion of R/GA Interactive's Los

Angeles office in the fourth quarter of 1995 and its closure subsequent to the second quarter of 1996, as well as the substantial start-up costs associated with the development of the operations of Northern Lights Interactive and the Company's technology development group. The operating loss declined in the second quarter of 1996 as compared to the first quarter of 1996. The effect of $390,000 of additional revenues and a $180,000 reduction in operating expenses (principally office and general expenses at Modem Media), resulted in the operating loss being reduced from $1.4 million in the first quarter of 1996 to $700,000 in the second quarter of 1996. In addition, Modem Media and Cf2GS continued to invest in additional personnel, training costs and capital expenditures, such as new computers for the new employees in order to support the growth of their operations.

MODEM MEDIA HISTORICAL SIX MONTHS ENDED JUNE 30, 1995 COMPARED TO SIX MONTHS ENDED JUNE 30, 1996 Revenues. Revenues increased $3.5 million, or 77.8%, from $4.4 million in the six months ended June 30, 1995 to $7.9 million in the same period of 1996. The growth in revenues was attributed principally to increased services provided to Modem Media's largest client, AT&T, which accounted for 71.1% and 84.4% of Modem Media's revenues for the six month periods ended June 30, 1995 and 1996, respectively. In addition, the Company generated $650,000 in revenues from new clients in the six months ended June 30, 1996, which was offset by a $640,000 reduction in revenues from three clients.

Salaries and Benefits Expenses. Salaries and benefits expenses increased $3.0 million, or 153.4%, from $1.9 million in the six months ended June 30, 1995 to $4.9 million in the same period in 1996. Salaries and benefits expenses represented 43.7% and 62.2% of revenues in the six month periods ended June 30, 1995 and 1996, respectively. Modem Media's rate of revenue growth in 1995 substantially exceeded the rate of growth in the number of personnel to service the additional business. During the first six months of 1996, Modem Media increased personnel to manage growth and actively pursue new client business. As a result of such increase in personnel, salaries and benefits expenses as a percentage of revenues increased in the six month period ended June 30, 1996 compared to the same period in 1995.

Office and General Expenses. Office and general expenses increased $1.1 million, or 183.2%, from $600,000 in the six months ended June 30, 1995 to $1.7 million in the same period in 1996. Office and general expenses represented 13.5% and 21.5% of revenues in the six month periods ended 1995 and 1996, respectively. Office and general expenses represented a higher percentage of Modem Media's revenues in 1996 primarily due to higher expenses, including: office rent resulting from Modem Media's relocation; depreciation expense, resulting from increased capital expenditures for technology required to support the growth in Modem Media's business, including the increase in employees; and increased utility costs and costs necessary to upgrade Modem Media's telecommunications capabilities.

Operating Income. As a result of all of the foregoing, operating income was $1.9 million in the first six months of 1995 compared to $1.3 million in the same period of 1996.

Income Taxes. No provision for income taxes was made in either the first six months of 1996 or the same period of 1995 because of Modem Media's partnership structure.

Modem Media Historical Years Ended December 31, 1993, 1994 and 1995

Revenues. Revenues were $1.2 million, $4.3 million and $11.7 million for the years ended December 31, 1993, 1994 and 1995, respectively. The increase in revenues between 1993 and 1995 resulted principally from the increased services provided to existing clients, and to a lesser extent new clients. Revenues derived from AT&T grew from 29.0% of Modem Media's revenues in 1993 to 78.4% in 1995. The increase in revenues derived from AT&T was primarily attributable to the implementation of several additional programs for AT&T. In addition, increased revenues derived from two other significant clients were partially offset by reductions and cancellations of services for other clients.

Salaries and Benefits Expenses. Salaries and benefits expenses, including compensation payments to partners, increased from $410,000 in 1993 to $2.2 million in 1994 and $5.5 million in 1995. As a percentage of revenues, salaries and benefits expenses represented 33.2%, 51.7% and 47.3% of revenues in 1993, 1994 and 1995, respectively. The increase in salaries and benefits expenses was primarily due to the significant increase in personnel and in temporary and freelance labor to accommodate Modem Media's growth. In addition, salaries and benefits expenses as a percentage of revenues increased from 1993 to 1994 primarily as a result of Modem Media's growth and decreased slightly from 1994 to 1995 due in part to a higher rate of growth in revenues as compared to the rate of increase in personnel during 1995.

Office and General Expenses. Office and general expenses have increased from $330,000 in 1993 to $860,000 in 1994 and $2.2 million in 1995. As a percentage of revenues, office and general expenses decreased from 1993 to 1995 and represented 27.4%, 19.8% and 19.0% of revenues in 1993, 1994 and 1995, respectively. The spending increases resulted primarily from Modem Media's efforts to build an infrastructure to support its growth. Such expenditures included higher office rent, supplies and other office costs related to an increased number of personnel; increased professional fees and placement fees; higher depreciation expense resulting from new computers and equipment purchased for new employees; and higher communication systems costs.

Operating Income. As a result of all of the foregoing, operating income increased from $480,000 to $1.2 million in 1993 and 1994, respectively, and to $4.0 million in 1995.

Income Taxes. No provision for income taxes was made in any of the fiscal years ended December 31, 1993, 1994 or 1995 because of Modem Media's partnership structure.

Factors Affecting Operating Results of the Company

The Company has incurred, and anticipates that it will continue to incur, substantial costs to expand and integrate its business. Such costs have had and could continue to have, a material adverse effect on the operating results of the Company. There can be no assurance that the Company will achieve or sustain profitability in the future. The Company's operating results have fluctuated in the past, and may continue to fluctuate in the future, as a result of a variety of factors. As a result, the Company believes

that period- to-period comparisons cannot be relied upon as indicators of future performance. In some future quarters the Company's operating results may fall below the expectations of securities analysts and investors. In such event, the trading price of the Class A Common Stock could likely be materially and adversely affected.

A portion of the Company's revenues are derived from fixed-fee based assignments. The Company assumes greater financial risk on fixed-fee based assignments than on time-and-materials assignments. Because the Company's clients generally hire the Company on an assignment basis rather than on a retainer basis, a client from whom the Company generates substantial revenue in one period may not be a substantial source of revenue in a subsequent period. In addition, the Company's clients generally have the right to terminate their relationships with the Company without penalty and on relatively short or no notice. As a result, the Company may gain or lose several significant clients each year, and there can be no assurance that new clients will be obtained or, if obtained, will offset any client losses. To the extent that the Company's major clients do not remain a significant source of revenues and the Company is unable to replace these clients, the Company's business, financial condition or results of operations could be materially adversely effected. Once an assignment is completed there can be no assurance that a client will engage the Company for further services. The termination of the Company's business relationship with any of its significant clients, including AT&T, or a material reduction in the use of the Company's services by a significant client could have a material adverse effect on the Company's business, financial condition or results of operations.

Liquidity and Capital Resources

Modem Media has financed its operations primarily from funds generated from operations.

Net cash provided by operating activities was $660,000 and $2.5 million for the years ended December 31, 1994 and 1995, respectively, and $1.9 million for the six months ended June 30, 1996. Cash provided by operating activities included net earnings plus depreciation and amortization totaling $1.3 million, $4.2 million and $1.5 million for the years ended December 31, 1994 and 1995 and the six months ended June 30, 1996, respectively. The increase in net earnings plus depreciation and amortization between the years ended 1994 and 1995 resulted from higher operating income between 1994 and 1995 and increased depreciation and amortization expense. During 1994 and 1995, Modem Media experienced increases in net working capital (excluding an increase in the cash balance) of $640,000 and $1.7 million, respectively. Accounts receivable increased by $450,000 and $4.0 million for the years ended December 31, 1994 and 1995, respectively, offset in part by increases in accounts payable and accrued expenses of approximately $370,000 and $2.5 million in 1994 and 1995, respectively. In 1994, Modem Media also experienced an increase in unbilled charges of $520,000. During the first six months of 1996, Modem Media experienced a decline in net working capital (excluding an increase in the cash balance) of approximately $380,000 resulting from an increase in current liabilities, primarily advance billings, which exceeded the increase in current assets.

Net cash used in investing activities was $270,000, $890,000 and $490,000 for the years ended December 31, 1994 and 1995 and the six months ended June 30, 1996, respectively. Investing activities reflect capital expenditures, net of spending attributable to capital leases, primarily to purchase computer and office equipment in all periods.

Net cash used in financing activities was $390,000, $1.4 million and $1.1 million for the years ended December 31, 1994 and 1995 and in the six months ended June 30, 1996, respectively, the primary component of which was cash distributions made to the partners of Modem Media. In addition, in 1995 and in the six months ended June 30, 1996, Modem Media made principal payments on capital lease obligations entered into during 1995 and 1996 totaling $30,000 and $120,000, respectively.

As a result of the foregoing, Modem Media's cash balance increased by $180,000 during 1995 and at June 30, 1996 was $520,000.

Modem Media recently acquired the True North Units. The True North Units previously obtained financing from True North. As part of the Conversion and the Combination, all amounts due from the True North Units to True North were contributed by True North and have become part of the True North Units' additional paid-in capital. In addition, True North has extended a credit facility to the Company allowing for revolving borrowings, letter of credit extensions and guarantee obligations in the amount of up to $5.0 million to be outstanding at any given time. The credit facility with True North expires one year from the date of completion of the Offering, or sooner upon the occurrence of certain events. The Company does not anticipate utilizing the True North credit facility.

The Company believes that the net proceeds from the Offering (estimated to be $ million), together with funds available from operations, if any, will be sufficient to meet the capital needs of the Company for at least the next twelve months. The long-term capital needs of the Company will depend on numerous factors, including the rate at which the Company is able to obtain new business from clients, expand its personnel and infrastructure to accommodate growth and invest in new technologies. The Company has various ongoing needs for capital, including working capital for operations, project development costs and capital expenditures to maintain and expand its operations. A portion of the net proceeds of the Offering may also be used to acquire or invest in complementary businesses or products, to obtain the right to use complementary technologies or to expand operations internationally. The Company has no present plans, agreements or commitments and is not currently engaged in any negotiations with respect to any such transactions.

Business

The following Business section contains forward-looking statements which involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" and elsewhere in this Prospectus.

Overview

The Company is a leader in digital interactive marketing, having developed over 500 marketing programs since 1987. The Company combines traditional marketing skills with capabilities in digital media and communications technologies to enable clients to more effectively reach and interact with customers and other key constituents, including employees, stockholders, suppliers and other business partners. The Company delivers a complete range of digital interactive marketing products and services through a combination of its substantial expertise in strategic marketing, technology development and digital design and production. These products and services include: customized product positioning; creation, production, updating and maintenance of Web sites and other interactive communications vehicles; analysis of customer requests, purchases and behaviors; delivery of uniform and updated information tools for sales forces; and technical consulting. The Company believes that by offering comprehensive digital interactive marketing solutions, it can add substantial value to organizations impacted by the challenges and opportunities created by rapidly changing digital media and interactive communications technologies. Pro forma revenues derived from digital interactive marketing activities accounted for 72.5% of the Company's total pro forma revenues in the first six months of 1996.

The Company's products and services link the two-way distribution capabilities of digital communications networks (principally the Internet, the Web, proprietary on-line services and corporate intranets) with fundamental marketing strategies and digital design and production capabilities. Digital interactive marketing applications developed by the Company permit the Company's clients to target narrow market segments, supply detailed product and service information on demand, obtain instant feedback, and update advertising, marketing and customer service programs quickly and easily. The Company believes that interactive technologies are becoming an increasingly important component of many organizations' marketing strategies, as these technologies enhance the ability to communicate effectively and to establish one-to-one relationships with current and potential customers and other key constituents. The Company seeks to strengthen and maintain long-term relationships with established organizations, including AT&T, Delta Air Lines, Levi Strauss & Co., JC Penney, Microsoft, Motorola, Royal Caribbean Cruises and S.C. Johnson, as well as with emerging companies that are effecting change in digital media, such as i-Village and PC Financial Network.

The Company was formed through the combination of businesses with substantial creative, technological, and digital design and production expertise. Since 1995, True North, the seventh largest advertising company in the world based on 1995 billings, with agency brands such as Foote, Cone & Belding, has provided digital interactive marketing services to its clients. These services are currently embodied in Northern Lights Interactive, one of the Company's strategic marketing organizations. In April 1994, True North acquired Cf2GS, an advertising agency with substantial database and integrated marketing expertise. In July 1995, True North acquired R/GA Interactive, an award-winning digital design and production business founded by Robert M. Greenberg in 1993. In October 1996, these businesses (Northern Lights Interactive, Cf2GS and R/GA Interactive, along with the technology development operations of True North) were acquired by Modem Media, a leader in digital interactive

marketing which has been providing such services since 1987. Through the Combination, the Company brings together substantial experience in digital interactive marketing and offers comprehensive solutions to its clients. In addition, the Company believes that its ongoing relationship with True North will provide it with additional opportunities to offer digital interactive marketing products and services to True North's clients.

Industry Background

The Company believes that the demand for digital interactive marketing has evolved from the growing importance of target marketing and, more recently, from the emergence of networked digital applications, services, communications and distribution vehicles, including those utilizing the Internet.

Growing Importance of Target Marketing Companies increasingly desire the ability to segment their markets narrowly and to measure the impact of their marketing expenditures more precisely. However, the ability to direct traditional mass media communications, such as broadcast television, radio and newspapers to specific target markets is limited, and gathering relevant market feedback is difficult and expensive. As a result, the Company believes media expenditures have increasingly flowed from traditional mass media to new marketing channels such as cable television, telemarketing, direct mail and specialized magazines. While these channels can reach specific markets, they do not allow marketers to establish immediate, interactive, one-to-one communications with consumers, where consumers can respond to and shape the content they receive. As a result, such channels do not enable marketers to obtain direct and immediate feedback from, and detailed information about, consumers.

Growth of Digital Media and the Internet The rapid development of technologies which facilitate the processing, manipulation, transfer, storage and distribution of digitized images is having a profound impact on the development and delivery of information. Digital content, once created, can be easily stored, updated, manipulated and distributed. New digital communications channels, such as the Internet, the Web, proprietary on-line services, corporate intranets, CD-ROMs and interactive kiosks, provide marketers with broad and rapid distribution vehicles for detailed and measurable one-to-one communications with consumers. Many of these digital channels are also global in reach, providing particularly attractive outlets for multi-national marketers. With the proliferation of modem-enabled personal computers and the development of easy-to-use Web browsers, the Internet has emerged as a new form of mass media. IDC Research forecasts that over 125 million people worldwide will use the Web by 2000, up from an estimated 8.3 million in 1995.

Emergence of Digital Interactive Marketing Companies have begun to explore the marketing potential and interactive capabilities of new digital media. Digital interactive marketing services include: web site development and maintenance; interactive advertising; deployment and development of corporate intranets; and electronic commerce services via the Internet. According to the February 1996 issue of Internet Marketing & Technology Report published by Computer Economics Inc., the number of commercial Web sites increased from approximately 7,300 in June 1995 to approximately 45,000 in January 1996. IDC Research estimates that content on the Web, as measured by number of Web pages, grew from 5.5 million pages in January 1995 to 29.0 million in June 1996. Furthermore, Jupiter

Communications estimates 1995 total on-line advertising revenue in the United States was $80.0 million and is expected to grow to $5.0 billion in 2000. Finally, Forrester Research estimates that approximately $518 million worth of goods will be sold via the Internet in 1996 and that such sales are expected to grow to $6.6 billion by 2000.

The Company believes that the foregoing industry trends have resulted in heightened demand for digitally developed and distributed communications campaigns, marketing services and business solutions. Interactive marketing communications programs can distribute information effectively and immediately, provide instant and measurable feedback, and facilitate interaction between companies, their customers and other key constituents through new Internet- based technologies. These technologies, in turn, enable the development and delivery of marketing programs and communications services that incorporate graphics, video and interactive features to inform, engage and entertain the target audience. In addition, interactive marketing provides for immediate feedback about the tastes and preferences of individual users or targeted groups of users. This information can be used by marketers to quickly improve the effectiveness of advertising messages or to modify products or services.

The Company believes that new communications vehicles that deliver value- added content and services for marketers will emerge, driven by the trend toward one-to-one target marketing. Such value-added services include internal corporate (both remote and on-site) communications, sales support services, customer support and electronic customer care solutions, electronic commerce, and other services that add value to the relationship between companies and their customers and other key constituents. Developing and implementing digital interactive communications solutions will require a combination of fundamental marketing strategy, high-end digital design and production capabilities and technological expertise. The Company believes that the successful application of these skills in the emerging digital communications environment will increase the value of a client's brands.

For many companies, interactive marketing requires the coordination of the traditionally distinct functions of the marketing and the information systems departments. Digital interactive marketing also requires the ability to adopt a variety of digital communications platforms that are technologically sophisticated, diverse, interdependent and rapidly evolving. The Company believes that most client organizations and third-party suppliers are unable to combine technological sophistication with the strategic expertise and creative excellence required to capitalize fully on digital interactive marketing opportunities.

The Company's Solution

The Company combines its core competencies in strategic marketing, technology and digital design and production to develop comprehensive digital interactive marketing solutions for its clients. These solutions include advertising, custom publishing and other customized solutions delivered through multiple digital communications media such as the Internet, the Web, proprietary on-line services, corporate intranets and CD-ROMs. These solutions permit a client to build global brand equity by (i)

delivering its marketing message consistently across multiple media, (ii) establishing one-to-one relationships with targeted customers, and (iii) permitting prompt feedback which can be used to improve the effectiveness of a Company's marketing message or modify its products or services.

The Company's Strategy

Key elements of the Company's strategy include:

Combining Expertise in Technology, Communications and Marketing to Provide Comprehensive Interactive Solutions. The Company capitalizes on its expertise in strategic marketing, interactive communications technology, and digital design and production to address its clients' internal and external digital interactive marketing needs. The Company focuses on providing clients with a comprehensive range of services, including customized product positioning, creation, production, updating and maintenance of Web sites and other communications; analysis of customer requests, purchases and behaviors; delivery of uniform and updated information tools for sales forces; and technical consulting.

Capitalizing on and Developing Emerging Technologies. The Company intends to build on its technological expertise to create, develop and market scalable, cross-platform interactive marketing and communications services for its clients. The Company's digital interactive marketing solutions and proprietary applications capitalize on the increasing use of the Internet, corporate intranets and future interactive technologies to provide clients with increasingly effective marketing and communications tools. The Company intends to retain ownership rights of these proprietary applications, which will enable the Company to repurpose and reformat certain interactive products to service the needs of multiple clients.

Building Upon Excellence in Creativity and Design. The Company is committed to establishing and maintaining high-quality, creative and technical standards for design and architecture that support digital interactive communications services. Robert M. Greenberg, President of R/GA Interactive, has received the Academy of Motion Pictures Arts and Sciences Scientific & Engineering Award in 1986, and together with R/GA Digital Studios, Inc., a business unit of True North, has received numerous awards, including the Academy Award, the Chrysler Award and the Cannes Gold Lion. In 1996, R/GA Interactive received numerous awards for its interactive communications programs, including the International Andy Award for interactive advertising and a Gold One Show Award for Best Web Site. Modem Media has also earned numerous awards, including the COMDEX Innovation Award for its JC Penney interactive television prototype and 1996 CASIE Awards for zima.com, a Web site of Coors Brewing Company, and AT&T's Centennial Olympic Games intermercial campaign in 1996. The Company intends to continue to pursue, attract and retain high-quality management, marketing, creative and technical personnel to build upon this award-winning legacy.

Exploiting Multiple Branding Opportunities. The Company operates through five distinct business units, or brands--Modem Media, Northern Lights Interactive and Cf2GS (the "strategic marketing brands"), R/GA Interactive and the Relationship Technology Group. Historically, each of the

Company's brands has operated as a standalone business unit, served its own client base and targeted a niche within digital interactive marketing. While several of the Company's existing clients, such as AT&T, Levi Strauss & Co. and Blue Cross/Blue Shield of Illinois, have utilized the services of two or more of the Company's business units, the Company believes that there is substantial opportunity for cross-marketing and referrals among the business units. For example, if one of the clients of R/GA Interactive needs strategic marketing assistance, R/GA Interactive can refer the client to Modem Media, Northern Lights Interactive or Cf2GS. By maintaining three strategic marketing brands, the Company is also better able to manage potential conflicts and serve multiple clients within the same industry.

Developing and Expanding Long-Term Relationships with Targeted Clients. The Company intends to build long-term relationships with established and emerging clients whose businesses impact or are impacted by rapidly changing digital media and interactive communications technologies. In addition, by developing long-term relationships, the Company believes that it can develop a deeper understanding of a client's business needs and thereby offer more effective and efficient marketing solutions. In addition, the Company's size and broad scope of technical and marketing capabilities enable it to provide global marketers with comprehensive solutions which can be adapted and integrated worldwide.

Leveraging Relationship with True North. The Company plans to continue to leverage its relationship with True North, the seventh largest advertising agency holding company in the world based on 1995 billings. The Company believes that its relationship with True North and True North's familiarity with the Company's capabilities provide the Company with additional opportunities to work with True North's clients.

Core Competencies

Through its operating divisions, the Company combines its core competencies in strategic marketing (Modem Media, Northern Lights Interactive and Cf2GS), technology development (Relationship Technology Group) and digital design and production (R/GA Interactive) to deliver comprehensive solutions which address clients' digital interactive marketing and communications needs.

Core Competencies and Business Units

[A table setting forth the core competencies of the Company's three business units, strategic marketing, technology development and digital design and production appears here.]

Strategic Marketing: Modem Media, Northern Lights Interactive and Cf2GS The Company's strategic marketing organizations provide a wide array of interactive marketing services, including strategic consulting, concept development, media research, creative development, interactive media selection and placement, and design and production supervision. Certain clients of the strategic marketing organizations utilize the expertise of the Company's Relationship Technology Group or the digital

design and production capabilities of R/GA Interactive. The strategic marketing organizations integrate delivery of the Company's strategic marketing, technology development and digital design and production services and coordinate the traditionally distinct functions of clients' marketing and information systems departments.

The Company provides strategic marketing services through account representatives who utilize their creative and technological expertise to design high-quality, creative digital interactive marketing programs and assist in building long-term relationships with clients. The account representatives identify and assess various traditional and interactive marketing and communication techniques to improve clients' advertising, marketing and customer service programs and recommend the most efficient and effective media for the clients' businesses. In addition, account representatives specialize in improving the performance of digital interactive programs by employing on-line tracking and promotional services to develop database systems designed to maximize the value of on-line transactions.

Through its three distinct strategic marketing organizations, Modem Media, Northern Lights Interactive and Cf2GS, the Company offers services to multiple clients across targeted industries.

Modem Media. Modem Media, founded in 1987, has provided services to more than 30 global marketers and since 1994 has completed more than 300 digital interactive marketing campaigns for its clients. Modem Media focuses on embedding Company-developed digital interactive marketing and sales systems into all business functions of its clients' organizations in an effort to promote long-term client relationships. For example, in 1995 Modem Media became AT&T's Interactive Agency of Record. Modem Media's relationship with AT&T began in 1992 when it developed an electronic ordering system and toll-free directory for AT&T on CompuServe. Modem Media then developed a sales information platform for AT&T's globally-dispersed sales force, performed a competitive analysis, executed a corporate-wide education program, and created and managed AT&T's Centennial Olympic Games Web site. Other clients of Modem Media include Delta Air Lines, Hasbro, JC Penney and Reader's Digest. Modem Media also conducts marketing and media research (quantitative and qualitative), plans and buys media, and conducts performance analysis on the digital interactive marketing and sales programs developed for the Company's clients. The Company believes that Modem Media is one of the leading media buying agencies for digital interactive marketing and sales. Modem Media is located in Westport, Connecticut.

Northern Lights Interactive. Northern Lights Interactive, founded in 1995 as a division of True North, is a digital media communications company designed to serve the digital interactive marketing needs of True North's clients. Through its six offices, the Company provides multinational clients with consistent strategy, quality, production, coordination and measurement services worldwide, while responding quickly to local or regional interactive marketing needs. In addition, the Company intends to pursue clients outside of True North's traditional client base. Northern Lights Interactive's clients include Blue Cross/Blue Shield of Illinois, Fila, Levi Strauss & Co., Merck, Motorola, Nabisco, S.C. Johnson and the United States Postal Service.

Cf2GS. Cf2GS, founded in 1988 and acquired by the Company in 1994, develops and delivers database-driven marketing services and programs which enable its clients to reach customers through traditional media vehicles such as direct mail, print and television, and, increasingly, through digital media vehicles such as Web sites and other content-based interactive vehicles. Cf2GS's database services provide clients with information to better understand their customers, build customer retention, increase transaction frequency and locate high potential prospective customers. Cf2GS's customers include Royal Caribbean Cruises, California State Automobile Association, L.A. Cellular and U.S. Bancorp. Cf2GS has offices in Seattle, Portland and San Francisco.

Technology Development: The Relationship Technology Group The Relationship Technology Group develops, builds and maintains digital communications applications designed to enhance and improve the effectiveness of the relationships between the Company's clients and their key constituents. These platforms are designed to operate on multiple forms of communication media such as the Internet, the Web, proprietary on-line services, corporate intranets, CD-ROMs and interactive kiosks. The Relationship Technology Group employs technology to maximize the Company's ability to provide high quality, digital interactive marketing services to its clients in a timely and cost- effective manner. The Relationship Technology Group also provides ongoing maintenance, quality control and content updates for previously developed client applications.

The Relationship Technology Group's technical expertise allows it to exploit opportunities identified by the strategic marketing organizations to create new technology platforms for clients. These technologies not only link marketing departments with consumers, but also foster and enhance relationships with other key constituents, including employees, shareholders, suppliers and other business partners. The rights to these technologies are generally owned by the Company. This enables the Company to repurpose and reformat certain of these interactive products to service the needs of multiple clients. Examples of the products developed by the Relationship Technology Group include:

Customized Intranets. Customized intranets provide a cost-effective means to deliver essential marketing and brand management information through personal computers to users worldwide. Customized intranets enhance internal communications by linking dispersed offices to a global network allowing users to access, edit and share critical data, including current sales and marketing materials and digital art, using commercial software tools such as eMotion's Creative Partner and Adobe's Photoshop and Premier. These intranets can also be used for more traditional communications such as e-mail, corporate announcements and employee and other corporate information. To date, the Company has developed customized marketing intranets for True North and S.C. Johnson.

Delivra. Delivra is a communications platform developed by the Company to deliver marketing materials electronically to large sales forces equipped with laptop computers. Delivra permits timely, accurate and cost-effective distribution of sales and marketing information, such as proposals, contracts, marketing materials, pricing and competitive information, which can then be downloaded, stored, managed and manipulated locally on personal computers by members of geographically dispersed sales forces. The Relationship Technology Group provides ongoing platform and operations

management services to Delivra users, including content creation and management, user support, quality control, system usage reporting and file management. MyPartner, a version of Delivra designed for AT&T, is in use by more than 10,000 of AT&T's sales representatives in 18 countries.

The Company's Relationship Technology Group also provides database and relationship marketing consulting services that focus on optimizing customer contact strategies for its clients. These services enable the Company's clients to assess and optimize information systems to target and contact customers. In addition, the Relationship Technology Group provides statistical modeling to help clients predict customer behavior. Through proprietary decision support systems and customized software applications, the customer data are compiled, categorized, stored and made accessible to clients.

The Relationship Technology Group employs software programmers, system designers and quality assurance personnel with expertise in ActiveX, C/C++, Java, HTML, Lingo, SGML, VRML and Visual Basic programming languages; CGI and EDI technologies; and Microsoft, Netscape, Oracle and Sybase server and database technologies. The Company's programming staff utilizes this expertise to develop and distribute new forms of digital interactive marketing solutions.

Digital Design and Production: R/GA Interactive R/GA Interactive, incorporated in 1993, is a full-service digital design and production studio that produces creative content for users across a broad range of media. R/GA Interactive develops and applies proprietary technology for real-time 3D computer graphics, image processing, compositing, digital painting, object-relational databases and game engines to create Web sites and other interactive marketing tools for its clients. R/GA Interactive's software engineers are versed in C/C++, Java, Perl, Lingo and HTML programming languages; CGI and Active Web technologies; Unix, WindowsNT and Windows95 operating systems; and relational database design and implementation. The Company applies these software capabilities to customize integrated marketing programs, such as Web-based advertising vehicles, corporate intranets, interactive kiosks and games.

R/GA Interactive executes digital design and production projects on a project basis for its clients and those of the Company's strategic marketing organizations. R/GA Interactive's clients include Microsoft, AT&T, Fila, Liberty Mutual and IBM. R/GA Interactive is located in New York City.

R/GA Interactive traces its creative roots to R/GA Digital Studios Inc., an award-winning design and production company founded in 1977 by Robert M. Greenberg, President of R/GA Interactive. R/GA Digital Studios, Inc., a business unit of True North, has created visual effects for over 500 commercials and 250 feature films.

Cross-Marketing Opportunities The Company believes that its strategic marketing organizations, along with the Relationship Technology Group and R/GA Interactive, are well-positioned to realize economies of scale and other synergies in developing comprehensive interactive marketing solutions for clients. The strategic marketing organizations often require the customization of existing software or the development of new digital marketing applications. The Relationship Technology Group is especially well- suited to design, develop and maintain these applications. In addition, clients of the

Company's strategic marketing organizations frequently require the execution of creative strategies through the design and production of digital interactive marketing content which can be supplied by R/GA Interactive.

The Relationship Technology Group provides its core consulting, technology development and operations services for the customers of the strategic marketing organizations, as well as for its own customers. R/GA Interactive executes creative strategies for certain clients of the strategic marketing organizations, performs custom development for independent clients on a for- hire basis and develops and retains ownership stakes in entertainment and edutainment titles.

Through its multiple brands, the Company intends to aggressively pursue multiple segments of the emerging digital marketing communications industry, while offering clients' marketing and information systems departments coordinated solutions.

Company Clients

The Company's clients consist primarily of large and emerging organizations whose businesses impact or are impacted by rapidly changing digital media and interactive communications technologies. The Company's services range from execution of discrete marketing projects, such as strategic marketing assignments, to global digital interactive marketing and sales programs combining various platforms and services. The Company's five largest clients accounted for 63.4% and 67.0% of the Company's revenues (on a pro forma basis) for the fiscal year ended December 31, 1995 and the six months ended June 30, 1996, respectively, with fluctuations in the amount of revenue contribution from each such client from quarter to quarter. AT&T accounted for 37.8% and 43.0%, of the Company's revenues (on a pro forma basis) for the fiscal year ended December 31, 1995 and for the six months ended June 30, 1996, respectively. There can be no assurance that the Company will be able to maintain the rate of growth or current level of revenues derived from AT&T or any other client in the future.

The Company generally performs multiple projects for clients. Consistent with marketing communications industry custom, the Company's clients generally have the right to terminate their relationships with the Company without penalty on relatively short or no notice.

The following is a list of certain of the Company's clients who accounted for more than $50,000 of the Company's pro forma revenues since January 1, 1995 and the services the Company has performed for such clients.

	STRATEGIC CONSULTING, SOLUTIONS CONCEPTION	CONSUMER MEDIA AND COMPETITOR RESEARCH	INTERACTIVE CREATIVE DEVELOPMENT	INFORMATION ARCHITECTURE AND DIGITAL DESIGN	DIGITAL DESIGN AND PRODUCTION	INTERACTIVE MEDIA PLANNING AND BUYING	DATABASE MEASUREMENT AND MODELING	APPLICATION DESIGN AND MAINTENANCE	TRADITIONAL MEDIA EXECUTIONS
COMMUNICATIONS									
AT&T Corp.	.	.	.	.	.	.	.		

.
Los Angeles
Cellular
Telephone Co. . .
.

COMPUTER HARDWARE AND SOFTWARE International Business Machines Corp. . . . Microsoft Corp. . . . . Motorola Inc. . . . . .

CONSUMER
PRODUCTS/RETAIL
Campbell Soup
Company . . . . .
Fila U.S.A.,
Inc. . . . . .
Hasbro, Inc. . . . . .
JC Penney
Company, Inc. . . . . .
.
Johnson &
Johnson . . . .
Levi Strauss &
Co. . . . . .
Merck & Co.,
Inc. . . .
PaperDirect . . . .
.
RJR Nabisco,
Inc. . . . . .
S.C. Johnson &
Sons, Inc. . . . . .
.

ENTERTAINMENT/TRAVEL
Delta Air Lines,
Inc. . . . . .
.
Jamaica Tourist
Board . . . .
Royal Caribbean
Cruises Ltd. . .
.
Washington State
Tourism
.

SERVICES Blue Cross/Blue Shield of Illinois . . . . . California State Automobile Association . . . . . Citicorp . i-Village . . . . . John Hancock Mutual Life Insurance Co. . . . . Liberty Mutual Insurance Co. . . . . PC Financial Network . . . . Prudential Securities, Inc. . . . The Reader's Digest Association, Inc. . . . . U.S. Bancorp . . U.S. Postal Service . . . . . Washington Forest Protection Association . .

Client Case Studies

The following client case studies illustrate marketing solutions developed for certain of the Company's key clients by each of the Company's strategic marketing organizations.

AT&T

AT&T selected Modem Media as its Interactive Agency of Record in 1995. Modem Media's primary responsibilities include creation and management of interactive advertising and marketing campaigns; brand positioning; creative standards development; media planning and buying; research; and competitive analysis. Modem Media's responsibilities extend through several of AT&T's business units. Modem Media's relationship with AT&T has included such projects as developing an electronic toll-free directory in 1992, providing strategic consulting for interactive television market research in 1993, developing several fax-on-demand systems for AT&T's Business Marketing Unit in 1994, contributing to a market strategy for AT&T WorldNet Service launched in 1995 and establishing AT&T's Centennial Olympic Games Web site, CD-ROM and intermercial campaign in 1996.

In 1994, Modem Media developed and launched MyPartner, the field sales force communications system for AT&T. MyPartner is designed to enhance the efficiency of the sales process by enabling geographically-dispersed AT&T sales representatives to access electronically from their field locations vital information and multimedia marketing materials. MyPartner provides AT&T's sales force with immediate access to current rates and terms and a wide range of rapidly changing marketing materials.

Levi Strauss & Co.

In 1995, Levi Strauss & Co. ("Levi Strauss") selected Northern Lights Interactive and R/GA Interactive to assist Levi Strauss in developing an on- line presence for Levi's(R) brand jeans. The Company's initial interactive marketing efforts has led to subsequent and expanded assignments from Levi Strauss to produce other digital media projects for Levi's(R), Docker's(R), the Levi's Only Store (LOS), the Mega-Shop Youthwear Center as well as implement on-line media partnership programs on behalf of Levi Strauss with ESPNet Sports, Women's Wire, Internet Underground Music Association (IUMA), and MTV. Levi Strauss chose the Company to develop a program to meet Levi Strauss' objectives of communicating with young adults around the world, developing one-to-one relationships with consumers through digital access, building a global knowledge base of its products, providing localized versions of global marketing programs and establishing a foundation for integrated marketing and transactions. The Company's primary responsibilities included strategic planning, content design, navigational architecture, digital production, on/off-line media placement, technology/tools development, a measurement program and global implementation. The United States and European site was launched in October 1995. The Company expects to launch a site in Asia in early 1997. In September 1996, the Company developed a separate Web site for Docker's(R).

The Company also designed and implemented interactive kiosks for use in Levi Strauss' stores. The kiosks use a menu-driven format, full-color graphics, digital sound, full-motion video and four language options. These kiosks enable shoppers to obtain product and fit information and can generate graphical maps with locations of Levi Strauss' stores anywhere in the world.

Royal Caribbean Cruises Ltd.

Since September 1992, Cf2GS has helped Royal Caribbean Cruises Ltd. ("Royal Caribbean") develop data-driven marketing strategies aimed at building customer loyalty and frequency of use, as well as identifying prospective customers. In the past year, Cf2GS has provided a marketing database solution with reporting and analysis tools designed to enable Royal Caribbean to more accurately measure and

predict market potential within certain geographic areas. The system is intended to enable Royal Caribbean to pursue more effective micro-market strategies with its retail channel and manage database- driven prospecting programs that identify qualified customers and provide these customers with personalized product information.

In 1996, the Company also combined customer and marketplace analysis with insights relevant to customer acquisition and retention and cross-marketing to support development of a communications plan for Royal Caribbean. Cf2GS developed Royal Caribbean's Crown & Anchor Society relationship marketing program, which is expected to improve Royal Caribbean's efforts to retain and cross-sell past guests through an emphasis on recognition, service and communication. In connection with this program, Cf2GS designs and produces Crown & Anchor Magazine, a custom-published product.

Competition

The principal factors upon which the Company competes are service, creative quality, technological and new media expertise and price. Although the Company believes that it is competitive with respect to each of these factors, the markets for the Company's services are highly competitive, and the Company faces competition from a number of sources. These sources include traditional advertising agencies as well as specialized marketing communications firms. In addition, many advertising agencies have started to develop internally, or enter into business relationships to develop or acquire, new digital media and interactive communications capabilities. The Company also competes with interactive marketing communications companies that provide services (such as corporate identity and packaging, production, advertising services or Web site design) and are technologically proficient in the digital media and interactive communications fields. In addition, production houses, software developers, in-house marketing and information systems departments of companies, interactive entertainment companies and graphic design companies compete with certain portions of the Company's business.

Certain of the Company's competitors or potential competitors have longer operating histories, longer client relationships and greater financial, management, technology, development, sales, marketing and other resources than the Company. Competition depends to a large extent on the clients' perception of the quality and creativity as well as the technical proficiency of digital interactive marketing products and services offered. The Company also competes on the basis of price and the ability to serve clients on a broad geographic basis. Moreover, clients frequently wish to have different products represented by different marketing companies.

The Company expects that it will face additional competition from new market entrants. There can be no assurance that existing or future competitors will not develop or offer digital interactive marketing services and products that provide significant performance, price, creative or other advantages over those offered by the Company, which could have a material adverse effect on the Company's business, financial condition or results of operations.

Intellectual Property

The Company's success and ability to compete is dependent in part upon its proprietary technology, including those protections provided under trademark, trade secret and copyright laws. In addition, factors such as the technological and creative skills of its personnel, new product developments, frequent product enhancements, name recognition and reliable product maintenance are also important to establishing and maintaining a technology leadership position. The Company presently has no patents but has one patent application pending. There can be no assurance that such patent application will be allowed or that, if allowed, the application will be issued. Despite the Company's efforts to control access to its proprietary information, it may be possible for a third party to copy or otherwise obtain and use the Company's products or technologies without authorization, or to develop similar or superior technologies independently. In addition, effective copyright, trade secret and patent protection may be unavailable or limited in certain foreign countries. Litigation may be necessary in the future to enforce the Company's intellectual property rights, to protect the Company's trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's business, financial condition or results of operations.

The Company's strategy includes creating, developing and selling digital interactive marketing products based in part on proprietary applications and platforms, which enable the Company to repurpose and reformat certain interactive products to service the needs of multiple clients. Similar to the traditional advertising and marketing industries, the Company's clients generally retain ownership of content developed by the Company; however, the Company generally retains ownership rights to the technology developed.

Government Regulation

The marketing communications industry is subject to extensive government regulation, both domestic and foreign, with respect to the truth in and fairness of advertising. The Company must comply with Federal Trade Commission regulations with respect to the marketing of products and services and similar state regulations. In addition, there has been an increasing tendency in the United States on the part of businesses to resort to the judicial system to challenge comparative advertising of their competitors on the grounds that the advertising is false and deceptive. There can be no assurance that the Company will not be subject to claims made against it or its clients by other companies or governmental agencies or that any such claims, regardless of merit, would not have a material adverse effect on the Company's business, financial condition or results of operations.

Employees

In order to maintain high levels of creativity and quality, the Company places great importance on recruiting and retaining talented employees. As of September 30, 1996, the Company had 274 full-time employees. The Company also hires temporary employees and contract service providers as necessary.

The Company's success will depend on the ability of the Company's senior management, in particular, Gregory W. Blaine, Chairman and Chief Executive Officer, Gerald M. O'Connell, President and Chief Operating Officer and Robert M. Greenberg, President, R/GA Interactive. The Company's success also will depend to a significant degree on the continuing contributions of other members of its senior management and its key account management, marketing, creative and technology development personnel, as well as its ability to attract and retain highly skilled personnel in all job categories. Competition for qualified personnel in the digital interactive marketing industry is intense. The Company has at times experienced, and continues to experience, difficulty in recruiting sufficient numbers of qualified personnel. Although certain members of the Company's senior management have entered into employment agreements with the Company, there can be no assurance that any of these executives will not voluntarily terminate their employment with the Company. The loss of the services of any senior management or other key employee or the inability to attract and retain additional personnel as required could adversely affect the Company's business, financial condition or results of operations. If one or more of the Company's key employees resigns from the Company to join a competitor or to form a competing company, the loss of such personnel and any resulting loss of existing or potential clients to any such competitor could have a material adverse effect on the Company's business, financial condition or results of operations. In the event of the loss of any key personnel there can be no assurance that the Company would be able to prevent the unauthorized disclosure or use of its technical knowledge, practices, procedures or client lists.

Facilities

The Company's headquarters and the operations of Modem Media are located in Westport, Connecticut and utilize approximately 23,000 square feet of leased office space. The lease expires July 31, 2000.

Cf2GS is based in Seattle and utilizes approximately 13,000 square feet of leased office space. The lease expires November 30, 1998. Cf2GS also leases approximately 2,600 square feet in Portland, Oregon, under a lease expiring August 31, 1997 and approximately 2,600 square feet in San Francisco under a lease expiring July 16, 1997.

Northern Lights Interactive, the Relationship Technology Group and R/GA Interactive share space with True North pursuant to an intercompany agreement. See "Relationship With True North and Certain Transactions--Intercompany Agreements--Space Sharing Agreement." That agreement

provides for a total of approximately 17,750 square feet for facilities in Chicago, New York, Toronto, San Francisco, Hong Kong and London and is terminable by either party upon six months' written notice beginning six months after the Combination.

Management

Executive Officers, Directors and Key Employees

The following table sets forth certain information with respect to the executive officers, directors and key employees of the Company as of the date of this Prospectus:

Name Age Position(s)

Gregory W. Blaine (1)...	48	Chairman of the Board and Chief Executive Officer
Gerald M. O'Connell (1).	35	President, Chief Operating Officer and Director
Robert M. Greenberg (1).	48	President, R/GA Interactive, and Director
Michael F. Bogacki (2)..	41	Executive Vice President, Chief Financial Officer, Secretary and Director
Douglas C. Ahlers.....	36	President, Relationship Technology Group, and Director
Robert C. Allen, II.....	29	President, Modem Media, and Director
Martin F. Reidy.....	39	Executive Vice President and Director
David E. Clauson.....	41	Senior Vice President and Managing Director, Northern Lights Interactive
William H. Fritsch.....	45	President, Cf2GS
David A. Giersdorf.....	40	Chief Executive Officer, Cf2GS
Mitchell T. Engel.....	44	Director
Bruce Mason.....	56	Director

(1) Member of the Nominating Committee of the Board of Directors of the Company.

(2) Member of the Audit Committee of the Board of Directors of the Company.

Gregory W. Blaine has served as Chairman and Chief Executive Officer and a Director of the Company since October 1996. Since 1993, Mr. Blaine has served as Executive Vice President, Global Operating Systems, and a director for True North. From 1990 to 1993, Mr. Blaine served as Executive Vice President of True North. Mr. Blaine joined Foote, Cone & Belding, the predecessor of True North, in 1979. See "--Executive Compensation and Employment Agreements." Mr. Blaine received a B.A. in marketing from Ohio State University.

Gerald M. O'Connell has served as President and Chief Operating Officer and a Director of the Company since October 1996. Mr. O'Connell was a Managing Partner of Modem Media, which he co-founded in 1987. From 1986 to 1987, Mr. O'Connell was Product Manager of CUC International, a consumer services company, where he was responsible for Comp-u-mall--an electronic shopping mall. Mr. O'Connell received a B.A. in English and history from Middlebury College. Mr. O'Connell is a director for the National Fragile X Foundation.

Robert M. Greenberg has served as President of R/GA Interactive, a business unit of R/GA Digital Studios, Inc., since R/GA Digital Studios, Inc. was acquired by True North in July 1995. Mr. Greenberg has served as Director of the Company since October 1996. Mr. Greenberg is Chairman and Chief Executive Officer of R/GA Digital Studios, Inc., a digital design production company which he founded in 1977. Mr. Greenberg received a B.S. in radio and TV advertising and mass communications from Arizona State University, completed graduate courses in business management at DePaul University, and in 1996 Mr. Greenberg received an Honorary Doctor of Fine Arts degree from the University of the Arts/Philadelphia College of Art and Design. See "--Executive Compensation and Employment Agreements."

Michael F. Bogacki has served as Executive Vice President, Chief Financial Officer, Secretary and a Director of the Company since October 1996. Prior to joining the Company, Mr. Bogacki was Vice President and Controller of Fruit of the Loom, Inc., a global manufacturer and marketer of consumer soft goods. During a portion of 1995, Mr. Bogacki also served as Chief Financial Officer of Fruit of the Loom, Inc.'s European operations. Mr. Bogacki held various positions at Fruit of the Loom, Inc. between February 1984 and August 1996 when he joined the Company, and served as Vice President and Controller for various public and privately held entities including Farley Inc., a manufacturer and distributor of industrial products; Acme Boot Company, Inc., a manufacturer and marketer of footwear and apparel; and Farley Industries, Inc., a management services company, all of which are affiliated or had common management with Fruit of the Loom, Inc. In July 1991, an involuntary petition under Chapter 7 of the U.S. Bankruptcy Code was filed against Farley Inc. which was subsequently converted to a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code in September 1991. A final order was entered in December 1992. In September 1992, West Point Acquisition Corp. filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code for which a final order was entered in December 1992. Mr. Bogacki served as Vice President and Controller of both of these companies. Mr. Bogacki received a B.S.C. in accounting from DePaul University and an M.B.A. from the University of Chicago. Mr. Bogacki is a certified public accountant.

Douglas C. Ahlers has served as President, Relationship Technology Group, and a Director of the Company since October 1996. Mr. Ahlers was a Managing Partner and co-founder of Modem Media. From 1983 to 1987, Mr. Ahlers served as Manager of Product Development of CUC International, a consumer services company. Mr. Ahlers received a B.A. in sociology and theater from the University of Rhode Island and an M.J. in journalism and communications from Louisiana State University.

Robert C. Allen, II has served as President, Modem Media, and a Director of the Company since October 1996. Mr. Allen has served as a Managing Partner of Modem Media since 1992. From 1989 to 1992, Mr. Allen was the Director of Business Development at Modem Media. Mr. Allen received a B.A. in English from Gettysburg College.

Martin F. Reidy has served as Executive Vice President and a Director of the Company since October 1996. From January 1995 to May 1996, Mr. Reidy served as Vice President--Marketing and Business Development of Silicon Studio, Inc., a subsidiary of Silicon Graphics, Inc., a leading computer hardware and software company. From 1991 through 1994, Mr. Reidy served as Senior Vice President

of EMI Music, a leading global recorded music and publishing company. Prior to joining EMI, Mr. Reidy was a partner with Bain & Company, Inc. Mr. Reidy received a B.S. in finance and marketing from the University of California at Berkeley and an M.B.A. from Wharton.

David E. Clauson has served as Senior Vice President and Managing Director, Northern Lights Interactive since September 1996. Mr. Clauson joined Foote, Cone & Belding in March 1991 as Senior Vice President, General Manager of Foote, Cone & Belding Technology Group. Mr. Clauson has held several positions at True North, most recently as General Manager of True North's Technology Group. Mr. Clauson received a B.A. in American urban history from U.C.L.A.

William H. Fritsch has served as President of Cf2GS, a subsidiary of the Company, since Cf2GS was acquired by True North in 1994. Mr. Fritsch received a B.A. in accounting from the University of Akron Business School.

David A. Giersdorf has served as Chief Executive Officer of Cf2GS since October 1996 and has served as Managing Director of Cf2GS since 1991. Before joining Cf2GS, Mr. Giersdorf was the Vice President of Windstar Cruises, the luxury subsidiary of Holland America Line/Carnival Cruises. Mr. Giersdorf attended the University of Washington.

Mitchell T. Engel has served as a Director of the Company since October 1996. From 1995 to present, Mr. Engel has served as President, Associated Communications Companies and Corporate Operations of True North. From 1989 to 1995, Mr. Engel served as the Executive Vice President and Managing Director of True North's Chicago office of Foote, Cone & Belding. Mr. Engel received a B.S. in communications from Miami University (Ohio) and an M.S.J. in advertising from Northwestern University.

Bruce Mason has been a Director of the Company since October 1996. Since 1991, Mr. Mason has served as Chairman and Chief Executive Officer of True North and has been a director of True North since 1986. Mr. Mason received a B.A. in philosophy from St. John's University and an M.B.A. from the University of Chicago.

Messrs. Ahlers, Allen and O'Connell were elected to the Board of Directors of the Company in October 1996 in connection with the Conversion. The Company and True North have agreed to cause each of Messrs. Ahlers, Allen and O'Connell, as long as each serves as an executive officer of the Company and until certain conditions are no longer met, to be elected to the Company's Board of Directors.

Each officer serves at the discretion of the Company's Board of Directors. The Company and True North have agreed to cause Mr. O'Connell to succeed Mr. Blaine as Chief Executive Officer of the Company at such time as Mr. Blaine no longer serves in such capacity. See "--Executive Compensation and Employment Agreements." There are no family relationships among any of the directors or officers of the Company.

The Company's Board of Directors currently has two vacancies, which the Company's bylaws authorize the Company's Board of Directors to fill. The Company intends to appoint two persons who are not officers or employees of the Company or True North to the Board of Directors within 90 days of the date of the Prospectus and is required to do so to maintain its listing on the Nasdaq National Market.

In the event the Company does not add such independent directors within 90 days following the Offering, the Company could be delisted from the Nasdaq National Market, which could have an adverse effect on the liquidity and price of the Class A Common Stock. The Company plans to appoint such directors as are mutually agreeable to the Company and Messrs. Ahlers, Allen and O'Connell.

Director Compensation

Effective upon consummation of the Offering, the Company's Directors who are not also employees of the Company or True North will be paid an annual retainer of $6,000 and a fee of $1,000 for each meeting attended of the Company's Board of Directors or of a committee of the Company's Board of Directors. The Company has recently established the 1996 Stock Option Plan which provides for automatic grants of options to purchase Class A Common Stock to nonemployee Directors commencing upon consummation of the Offering. See "--Stock Plans--1996 Stock Option Plan." Directors who are also employees of the Company or True North will not receive any additional compensation for serving on the Board of Directors.

Committees of the Board of Directors

The Company's Board of Directors has standing Audit, Compensation and Nominating Committees, which assist the Board in the discharge of its responsibilities. Members of each such Committee are elected by the Board and serve for one-year terms.

The Audit Committee reports to the Board regarding the appointment of the independent public accountants of the Company, the scope and fees of prospective annual audits and the results thereof, compliance with the Company's accounting and financial policies and management's procedures and policies relative to the adequacy of the Company's internal accounting controls. The members of the Audit Committee will consist of a minimum of two outside directors, neither of whom will be an officer or employee of the Company. In addition, Mr. Bogacki has been appointed to this Committee.

The Compensation Committee reviews and approves the annual salary and bonus for each executive officer (consistent with the terms of any applicable employment agreement), reviews, approves and recommends terms and conditions for all employee benefit plans (and changes thereto) and administers the Company's 1996 Stock Plan and Employee Stock Purchase Plan and such other employee benefit plans as may be adopted by the Company from time to time. The members of the Compensation Committee will consist of a minimum of two nonemployee directors.

The Nominating Committee reports to the Board regarding nominees for directors to be presented to the Company's stockholders for election. The members of the Nominating Committee will consist of a minimum of two non- employee directors. In addition, Messrs. Blaine, O'Connell and Greenberg have been appointed to this Committee.

Compensation Committee Interlocks and Insider Participation

The Company's Compensation Committee was formed in October 1996. No interlocking relationship exists between the Company's Board of Directors and the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past.

Limitation of Liability and Indemnification Matters

The Company's Certificate of Incorporation limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that a corporation's certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director for monetary damages for breach of their fiduciary duties as directors, except for liability (i) for any breach of their duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. See "Description of Capital Stock--Limitation of Liability; Indemnification."

The Company's Bylaws provide that the Company shall indemnify its directors and officers and may indemnify its employees and agents to the fullest extent permitted by Delaware law. See "Description of Capital Stock--Limitation of Liability; Indemnification."

The Company intends to enter into agreements to indemnify its directors and officers in addition to the indemnification provided for in the Company's Certificate of Incorporation and Bylaws. These agreements, among other things, indemnify the Company's directors and officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of the Company, arising out of such person's services as a director or officer of the Company, any subsidiary of the Company or any other company or enterprise to which the person provides services at the request of the Company. The Company believes that these provisions and agreements are necessary to attract and retain qualified individuals to serve as directors and officers.

At present, there is no pending litigation or proceeding involving any director, officer, employee or agent of the Company where indemnification will be required or permitted. The Company is not aware of any threatened litigation or proceeding that might result in a claim for such indemnification.

Executive Compensation and Employment Agreements

The Company commenced operations in its current form in November 1996. As of December 31, 1995 and for the fiscal year ended December 31, 1995, the Company did not exist in its current form. The Company has entered into employment agreements with Gregory W. Blaine, its Chief Executive

Officer, and certain executive officers providing for annual compensation in excess of $100,000 as set forth below.

In addition to his position with the Company, Mr. Blaine currently serves as Executive Vice President, Global Operating Systems, for True North pursuant to an employment agreement with True North. In connection with the Combination, the Company entered into an employment allocation agreement with True North and Mr. Blaine relating to Mr. Blaine's employment with the Company. Pursuant to such agreement, Mr. Blaine will devote 95% of his time to his employment with the Company and the remainder to True North. The employment allocation agreement provides that Mr. Blaine will be paid an initial annual base salary by the Company of $250,000, subject to increases at the discretion of the Company's Board of Directors. In addition, Mr. Blaine is eligible to receive (i) an annual cash bonus equal to up to 30% of his salary and (ii) a grant of options to purchase shares of Class A Common Stock of the Company. Mr. Blaine will also receive a salary and other benefits from True North.

In addition to his position with the Company, Mr. Greenberg currently serves as Chairman and Chief Executive Officer of R/GA Digital Studios, Inc., pursuant to an employment agreement with True North entered into in connection with the acquisition of R/GA Digital Studios, Inc. by True North. In connection with the Combination, the Company entered into an employment allocation agreement with True North and Mr. Greenberg relating to Mr. Greenberg's employment with the Company. Pursuant to such agreement, Mr. Greenberg will devote not less than 50% of his time to his employment with the Company and the remainder to True North. The employment allocation agreement provides that Mr. Greenberg will be paid an initial annual base salary by the Company of $250,000, subject to increases at the discretion of the Company's Board of Directors. In addition, Mr. Greenberg is eligible to receive (i) an annual cash bonus equal to up to 30% of his salary and (ii) options to purchase shares of Class A Common Stock of the Company. Mr. Greenberg will also receive a salary and other benefits from True North.

The Company has entered into five-year employment agreements with each of Messrs. O'Connell, Ahlers and Allen providing for an initial annual base salary of $300,000 each, subject to increases at the discretion of the Company's Board of Directors. Pursuant to the agreements, if the Company terminates any executive's employment without cause, the executive is entitled to receive severance benefits equal to salary plus profit sharing for a period equal to the lesser of three years after such termination or the initial term of employment. Pursuant to the agreements each executive has agreed to certain confidentiality, noncompetition and nonsolicitation provisions. In addition, in connection with the Combination, the Company and True North have agreed to cause Mr. O'Connell to succeed Mr. Blaine as Chief Executive Officer of the Company at such time as Mr. Blaine no longer serves in such capacity.

The Company did not grant stock options to any executive officer during 1995, and no options were exercised during 1995 or were outstanding as of December 31, 1995. Concurrently with the consummation of the Offering, the Company will grant options to purchase 67,000 shares of Class A Common Stock to each of Messrs. Blaine and Greenberg and options to purchase 10,000 shares of

Class A Common Stock to each of Messrs. O'Connell, Ahlers and Allen, at an exercise price equal to the initial public offering price. One-fifth of these options will be vested immediately with an additional one-fifth of such options to vest annually over four years.

Stock Plans

1996 Stock Option Plan In October 1996, the Company established a stock option plan (the "1996 Stock Option Plan") to provide additional incentive to its employees, officers, directors and consultants pursuant to which a total of shares of Class A Common Stock have been reserved for issuance. The 1996 Stock Option Plan was approved by the stockholders of the Company in October 1996. Pursuant to the 1996 Stock Option Plan, the Company may grant incentive stock options, nonstatutory stock options and stock purchase rights to the Company's employees, officers, directors and consultants. The Company's Board of Directors, or a committee to whom the Board has delegated authority (the "Plan Administrator"), selects the Company's employees, officers, directors and consultants to whom options and stock purchase rights are granted (provided that incentive stock options may only be granted to employees of the Company, and, as described below, outside directors receive automatic grants of options), interprets and adopts rules for the operation of the 1996 Stock Option Plan and specifies other terms of such options and stock purchase rights. No options have been granted under the 1996 Stock Option Plan. Concurrently with the consummation of the Offering, the Company intends to grant options to purchase shares of Class A Common Stock at the initial public offering price to certain officers and employees of the Company.

Subject to the terms and conditions of the 1996 Stock Option Plan, the terms and conditions of each individual option grant are evidenced by an agreement ("Agreement") between the Company and the optionee. Options granted under the 1996 Stock Option Plan (other than to outside directors) vest as determined by the Plan Administrator and as set forth in an Agreement. The maximum term of a stock option under the 1996 Stock Option Plan is stated in the relevant Agreement, provided that the maximum term of an incentive stock option is ten years (if the optionee at the time of grant has voting power over more than 10% of the Company's capital stock outstanding, the maximum term is five years). If an optionee terminates his or her service to the Company, the optionee generally may exercise only those option shares vested as of the date of termination and, unless otherwise specified in the relevant Agreement, must effect such exercise within three months of termination of service for any reason other than death or disability and one year after termination due to disability or death. The exercise price of incentive stock options granted under the 1996 Stock Plan must be at least equal to the fair market value of the Class A Common Stock of the Company on the date of grant. The exercise price of stock options granted to an optionee who owns stock possessing more than 10% of the voting power of the Company's outstanding capital stock must equal at least 110% of the fair market value of the Class A Common Stock on the date of grant. Payment of the exercise price may be made in such methods as determined by the Plan Administrator (which in the case of an incentive stock option shall

be set out in the Agreement) and may include cash, check, a promissory note or shares of the Company's Class A Common Stock valued at the fair market value on the date of exercise or certain other methods of payment.

In addition, the 1996 Stock Plan provides that each Director that is not also an officer or employee of the Company or True North shall be automatically granted an option to purchase 4,000 shares of Class A Common Stock on the later of the effective date of the plan or the date on which such person first becomes an outside Director. Each nonemployee Director shall also be automatically granted an option to purchase 2,000 shares on February 1st of each year provided he or she is then a nonemployee Director and if, as of such date, he or she shall have served on the Company's Board of Directors for at least the preceding six months. Options granted to nonemployee Directors vest ratably over two years, with one-third of the options being vested on the date of grant, and have a term of ten years. The exercise price of options granted to nonemployee Directors shall be 100% of the fair market value per share of Class A Common Stock on the date of grant.

Terms of any stock purchase rights granted under the 1996 Stock Plan shall be determined by the Plan Administrator at the time such rights are issued. Unless the Plan Administrator determines otherwise, the Company shall have a repurchase option at the original price paid by the purchaser exercisable upon the voluntary or involuntary termination of the purchaser's service with the Company.

In the event the Company is acquired or merges into or with another entity or transfers or otherwise disposes of all or substantially all of its assets, then each outstanding option and stock purchase right shall automatically vest and become fully exercisable unless the successor entity assumes such option or stock purchase right or replaces it with a comparable option or right.

1996 Employee Stock Purchase Plan In October 1996, the Company's Board of Directors adopted the 1996 Employee Stock Purchase Plan (the "Purchase Plan") under which a maximum of shares of Class A Common Stock are made available for sale. The Purchase Plan was approved by the stockholders of the Company in October 1996. The Purchase Plan, which is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended, is administered by the Board of Directors or by a committee appointed by the Board. Employees are eligible to participate if they are employed by the Company or a subsidiary of the Company designated by the Board for at least 20 hours per week and are customarily employed for more than five months in any calendar year. The Purchase Plan permits eligible employees to purchase Class A Common Stock through payroll deductions, which may not exceed 15% of an employee's compensation, subject to certain limitations. The Purchase Plan will be implemented in a series of consecutive, overlapping offering periods, each of approximately 24 months in duration. Offering periods will begin on the first trading day on or after August 1 and February 1 of every other year and terminate on the last trading day in the period 24 months later. However, the first offering period shall be the period of approximately 26 months commencing on the date upon which the registration statement of which this Prospectus is a part is declared effective by the Securities and Exchange Commission (the "Commission") and terminating on the last trading day in the period ending January 31, 1999. Each participant will be granted an option on the first day of the offering period and such option will be

automatically exercised on the last date of each offering period. The purchase price of each share of Class A Common Stock under the Purchase Plan will be equal to 85% of the lesser of the fair market value per share of Class A Common Stock on the start date of that offering period or on the last day of the offering period. Employees may modify or end their participation in the offering at any time during the offering period subject to the Purchase Plan's procedures and the Board's discretion to enact changes; participation ends automatically on termination of employment with the Company. The Purchase Plan will terminate in 2006 unless sooner terminated by the Company's Board of Directors.

401(k) Profit Sharing Plan The Company plans to adopt a 401(k) Profit Sharing Plan effective January 1, 1997.

Relationship with True North and Certain Transactions

Relationship with True North

In October 1996, True North acquired certain limited partnership interests in Modem Media and shares of capital stock of Modem Media, Inc., the general partner of Modem Media, in exchange for certain shares of common stock of True North. Following such acquisition and in connection with the Conversion, True North converted its interests in Modem Media into 2,969,741 shares of Class A Common Stock of the Company (representing approximately 49% of the outstanding equity securities of the Company). In addition, the other limited partners of Modem Media and the other stockholders of Modem Media, Inc. converted all of their partnership interests in Modem Media and all of their shares of capital stock of Modem Media, Inc. into an aggregate of 3,039,785 shares of Class A Common Stock of the Company (representing approximately 51% of the outstanding equity securities of the Company). Following the Conversion, True North sold to the Company the True North Units, which included substantially all of the assets and properties of Northern Lights Interactive, R/GA Interactive and Cf2GS, as well as True North's technology development operations, in exchange for the assumption by the Company of certain liabilities of True North relating to the True North Units and the issuance to True North of an additional 1,627,059 shares of Class B Common Stock of the Company. In connection with the Combination, True North exchanged all of its shares of Class A Common Stock for an equal number of shares of Class B Common Stock.

Upon completion of the Offering, True North will own approximately % of the Common Stock outstanding (% if the Underwriters' over-allotment option is exercised in full), representing % (% if the Underwriter's over- allotment option is exercised in full) of the total voting power of the Company's voting stock. As long as True North controls the majority of the voting power of the voting stock of the Company, it will be able, acting alone, to (i) elect at least a majority of the Board of Directors of the Company, (ii) amend the Company's Certificate of Incorporation or effect a merger, sale of assets or other major corporate transaction, (iii) defeat any non-negotiated takeover attempt, (iv) determine the

amount and timing of dividends paid to itself and holders of Class A Common Stock and (v) otherwise control the management and operations of the Company and the outcome of virtually all matters submitted for a stockholder vote.

Currently, four of the nine directors of the Company are also members of senior management of True North and are compensated by True North in connection with their employment by True North. In addition, six of the current directors of the Company were selected by True North. These directors may have conflicts of interest in addressing certain business opportunities and strategies in circumstances where the Company's and True North's interests differ. The Company has not adopted any formal plan or arrangement to address such potential conflicts of interest.

Reorganization Agreement

The Reorganization Agreement provides for True North and the limited partners of Modem Media and the stockholders of Modem Media, Inc. to contribute their partnership interests in Modem Media and shares of Modem Media, Inc., the general partner of Modem Media, to the Company in exchange for shares of the Company's capital stock. The purpose of the transaction was to change the form of Modem Media from a partnership to a corporation.

In connection with the Conversion and pursuant to the Reorganization Agreement, the Company granted Messrs. Ahlers, Allen and O'Connell and Kraft Enterprises LTD (collectively, the "Limited Partners") rights to sell up to an aggregate of $ million in value of shares of Class A Common Stock of the Company in the Offering. The Limited Partners are selling an aggregate of shares of Class A Common Stock of the Company pursuant to the Reorganization Agreement. The Company has agreed to pay the underwriting discounts and commissions relating to the shares of Class A Common Stock to be sold by the Limited Partners. In addition, the Company will pay certain amounts to the Limited Partners in connection with the Conversion.

In connection with the Conversion, the Company and True North have agreed to cause each of Messrs. Ahlers, Allen and O'Connell, as long as each serves as an executive officer of the Company and continues to maintain specific ownership percentages of the Company, to be elected to the Company's Board of Directors. The Company and True North have also agreed to cause Mr. O'Connell to succeed Mr. Blaine as Chief Executive Officer of the Company at such time as Mr. Blaine no longer serves in such capacity.

The Limited Partners made certain representations and warranties to the Company and True North relating to the business conducted by Modem Media prior to the Conversion. Each party to the Reorganization Agreement agreed to indemnify each other party to such agreement for any breach by such party of any representation, warranty or covenant contained in such agreement.

Acquisition Agreement

The Acquisition Agreement sets forth the agreements between the Company and True North with respect to the Combination and certain other agreements governing the relationship among the parties thereafter.

To effect the Combination, True North has transferred or agreed to transfer, or to cause its respective subsidiaries to transfer, the True North Units, which include Cf2GS, R/GA Interactive, Northern Lights Interactive and True North's technology development operations. The Company has assumed or agreed to assume certain liabilities. Except as expressly set forth in the Acquisition Agreement, True North made no representations or warranties to the Company (i) as to the value or freedom from encumbrances of, or any other matter concerning, any of the assets of the True North Units or (ii) as to the legal sufficiency of the attempt to convey title to any of the assets of the True North Units, or of the execution, delivery and filing of any conveyancing and assumption instruments. All of the assets of the True North Units were transferred on an "as is," "where is" basis, and the Company has agreed to bear the economic and legal risks that the conveyance of such assets is insufficient or that the Company's title to any such assets shall be other than good and marketable and free from encumbrances. As a condition to the consummation of the Combination, the value of the True North Units must be independently appraised at more than $11.0 million.

The Company has agreed to indemnify, defend and hold harmless True North, and each of its directors, officers and employees, from and against all liabilities relating to, arising out of or due to, directly or indirectly, (i) any breach by the Company of any representations or warranties made by the Company in the Acquisition Agreement, (ii) any of the liabilities assumed by the Company, (iii) any claim that the information included in this Prospectus or the registration statement of which this Prospectus is a part (other than information provided by True North) is false and misleading with respect to any material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (iv) any failure to perform or violation of any provision of the Acquisition Agreement.

True North has agreed to indemnify, defend and hold harmless the Company and each of its directors, officers and employees from and against all liabilities relating to, arising out of or due to, directly or indirectly, (i) any breach by True North of any representations or warranties made by True North in the Acquisition Agreement, (ii) any of the liabilities retained by True North, (iii) any claim that the information included in this Prospectus or the registration statement of which this Prospectus is a part which has been provided specifically by True North for the purpose of inclusion in this Prospectus and the registration statement is false and misleading with respect to any material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (iv) any failure to perform or violation of any provision of the Acquisition Agreement.

The Acquisition Agreement provides that for a period of three years after the Combination, True North will not compete with the Company with respect to advertising services delivered through the Internet or corporate intranets and digital communications services dedicated to marketing purposes, provided

that (i) True North may acquire another business with certain limited interactive marketing operations and (ii) True North may acquire another business that engages in a significant amount of interactive marketing operations if less than one-half of such business' operations are interactive marketing operations and True North has offered the Company a reasonable opportunity to purchase the interactive marketing operations of such business on terms and conditions that are consistent with the agreement to purchase such business by True North and at a purchase price that reasonably reflects the relative value of such business.

Intercompany Agreements

In the normal course of business, the Company and True North have from time- to-time entered into various business transactions and agreements and the Company and True North may enter into additional material transactions in the future. The following is a summary of each of the material agreements that the Company and True North have entered into in connection with the Combination. Such summaries are qualified in their entirety by those agreements which are filed as exhibits to the registration statement of which this Prospectus is a part.

Administrative Services Agreement. Under the Administrative Services Agreement, True North will provide various administrative functions and other services to the Company, including accounting, cash management, internal audit, tax preparation, consulting, studio use, employee benefits and administration, insurance, travel services, office supplies and equipment rental, payroll, and voice and data network access. During the period that True North performs administrative functions for the Company, expenses associated with such functions will be charged to the Company based primarily on either an allocation of salaries and overhead for time expended by True North personnel on Company matters or a ratio of the salaries of Company employees serviced by True North to the total salaries of all True North and Company employees serviced by True North plus out-of-pocket expenses, and in certain circumstances hourly rates or the increased costs to True North for providing the service. The Administrative Services Agreement is subject to renegotiation by True North and the Company from time to time. The Administrative Services Agreement also provides that the Company will pay to True North a referral fee equal to 1.5% of revenues received by the Company from projects for which True North or its affiliates referred the clients to the Company. The Company may terminate this agreement at any time upon 90 days' prior written notice, and True North may terminate the agreement 12 months following the Combination, but must give six months' prior written notice of such intent to terminate.

Intercompany Credit Agreement. The Intercompany Credit Agreement provides that True North will make available a $5.0 million working capital credit facility to the Company at an interest rate equal to LIBOR plus 75 basis points. The credit facility will terminate the earlier of one year from the date of the Combination or 90 days after receipt by the Company of notice from True North that True North no longer owns 50% of the voting power of the Company and is demanding payment of any amounts owed under the credit facility.

Intellectual Property Agreement. The Intellectual Property Agreement provides for the licensing of certain intellectual property from the Company to True North. Specifically, the Company will license the Knowledge Network and the SCJ Net to True North. The Knowledge Network license has a five-year initial term and can be renewed annually thereafter. These licenses are non- exclusive and non-transferrable and cannot be sublicensed. Payments by True North for these licenses are based on research and development, enhancement and administrative expenditures associated with the licensed software. The SCJ Net has a one-year initial term and can be renewed annually thereafter. This license to True North is non-exclusive and non-transferrable and may only be sublicensed to SC Johnson.

Space Sharing Agreement. The Company has entered into a Space Sharing Agreement with True North and certain of its subsidiaries pursuant to which the Company will lease office space. The rent per square foot under each space sharing arrangement approximates the monthly rent per square foot under the underlying lease. Either party may terminate such agreement upon six months' written notice beginning six months after the Combination.

Tax Matters Agreement. Under the Tax Matters Agreement, True North will indemnify the Company for tax liabilities attributable to periods ending on or prior to the date of the Combination, including costs associated with audits. It is expected that the Company will be part of True North's unitary group for certain states' income taxes. Accordingly, in years when the Company has taxable income, a pro forma calculation will be made of each state income tax that the Company would have owed had it not been a member of the True North unitary group and the Company will pay such amount to True North. In years in which the Company has a taxable loss or a tax credit, a pro forma calculation of each state income tax benefit which is realized by the True North unitary group as a result of the Company's taxable loss or tax credit will be made, and True North will pay the Company such amount. In addition, pursuant to the Tax Matters Agreement, the Company has agreed to pay True North an amount equal to any net tax benefit realized by the Company on any tax return directly or indirectly attributable to tax basis adjustments to the assets of the Company and its subsidiaries and affiliates due to True North's purchase of the Modem Media partnership interests no later than the earlier of a final determination by the tax authorities or the expiration of the statute of limitations with respect to a tax return of the Company for any affected fiscal year.

Principal and Selling Stockholders

The following table sets forth certain information with respect to the beneficial ownership of the Company's Common Stock as of the date of the Prospectus, and as adjusted to reflect the sale of shares of Class A Common Stock by the Company and the Selling Stockholders offered hereby, by (i) each person or entity who is known by the Company to beneficially own five percent or more of the outstanding shares of either class of Common Stock of the Company, (ii) each Director, (iii) each executive officer, (iv) each Selling Stockholder and (v) all directors and executive officers of the Company as a group.

	CLASS A COMMON STOCK		CLASS B COMMON STOCK		COMMON STOCK

	SHARES BENEFICIALLY OWNED BEFORE OFFERING (1)		SHARES BENEFICIALLY OWNED AFTER OFFERING (1) (2)				PERCENT OF TOTAL VOTING POWER (2)	
NAME	NUMBER	PERCENT OF CLASS	NUMBER OF SHARES BEING OFFERED	NUMBER	PERCENT OF CLASS		BENEFICIALLY OWNED (1)	BEFORE OFFERING	AFTER OFFERING
True North Communications Inc..... 101 East Erie Street Chicago, Illinois 60611	--	-- %	--	--	-- %		4,596,800	%	%
Gregory W. Blaine (3)...	13,400	*	--	13,400	*		--		
Gerald M. O'Connell (4)(5).....	1,334,716						--		
Michael F. Bogacki (3)..	12,800	*	--	12,800	*		--		
Robert M. Greenberg (3).	13,400	*	--	13,400	*		--		
Douglas C. Ahlers (4)(5).....	1,334,716						--		
Robert C. Allen, II (4)(5).....	342,321						--		
Martin F. Reidy (3).....	12,800	*	--	12,800	*		--		
Mitchell T. Engel.....	--	--	--	--	--		--		
Bruce Mason.....	--	--	--	--	--		--		
Kraft Enterprises LTD...	34,032	*			*		--		
All directors and executive officers as a group (9 persons) (3)(5).....	3,098,185						--		

*Less than one percent. (1) Beneficial ownership is determined in accordance with the rules of the Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Class A Common Stock subject to options held by that person that are currently exercisable or exercisable within 60 days of September 30, 1996 are deemed outstanding. Such shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name. (2) Assumes no exercise of the Underwriters' over-allotment option. (3) Represents shares of Class A Common Stock subject to options which are exercisable as of the date of this Prospectus. (4) The address of each of Messrs. O'Connell, Ahlers and Allen is c/o TN Technologies Inc., 228 Saugatuck Avenue, Westport, Connecticut 06880. (5) Includes 2,000 shares of Class A Common Stock subject to options, which are exercisable as of the date of this Prospectus.

Description of Capital Stock

Pursuant to the Company's Certificate of Incorporation, the Company has authority to issue an aggregate of 50,000,000 shares of capital stock, consisting of 40,403,200 shares of Class A Common Stock, par value $0.001 per share, 4,596,800 shares of Class B Common Stock, par value $0.001 per share, and 5,000,000 shares of Preferred Stock, par value $0.001 per share.

Set forth below is a description of the Common Stock and the Preferred Stock that may be issued under the Company's Certificate of Incorporation.

Common Stock

The shares of Class A Common Stock and Class B Common Stock are identical in all respects, except for voting rights and certain conversion rights, as described below.

Voting Rights. Each share of Class A Common Stock outstanding is entitled to one vote on all matters submitted to a vote of the Company's stockholders, including the election of directors, and each share of Class B Common Stock entitles the holder to seven votes on each such matter. Except as required by applicable law, holders of the Class A Common Stock and Class B Common Stock vote together as a single class on all matters submitted to a vote of the stockholders of the Company. There is no cumulative voting in the election of directors. See "Risk Factors--Control of the Company; Anti-Takeover Effects of Certificate of Incorporation, Bylaws and Delaware Law."

For so long as there are any shares of Class B Common Stock outstanding, any action that may be taken at a meeting of the stockholders may be taken by written consent in lieu of a meeting if the Company receives consents signed by stockholders having the minimum number of votes that would be necessary to approve the action at a meeting at which all shares entitled to vote on the matter were present and voted. This could permit the holders of Class B Common Stock to take action regarding certain matters without providing other stockholders the opportunity to voice dissenting views or raise other matters. The right to take such action by written consent of stockholders will expire at such time as all outstanding shares of Class B Common Stock cease to be outstanding.

Dividends, Distributions and Stock Splits. Holders of Class A Common Stock and Class B Common Stock are entitled to receive dividends at the same rate as, if, and when such dividends are declared by the Company's Board of Directors out of assets legally available therefor after payment of dividends required to be paid on shares of Preferred Stock, if any.

In the case of dividends or distributions payable in Class A Common Stock or Class B Common Stock, only shares of Class A Common Stock will be distributed with respect to the Class A Common Stock and only shares of Class B Common Stock will be distributed with respect to the Class B Common Stock. In the case of dividends or other distributions consisting of other voting shares of the Company, the Company will declare and pay such dividends in two separate classes of such voting securities, identical in all respects, except that the voting rights of each such security paid to the holders of the Class A Common Stock shall be one-seventh of the voting rights of each such security paid to the

holders of Class B Common Stock, and such security paid to the holders of Class B Common Stock shall convert into the security paid to the holders of the Class A Common Stock upon the same terms and conditions applicable to the Class B Common Stock. In the case of dividends or other distributions consisting of non-voting securities convertible into, or exchangeable for, voting securities of the Company, the Company will provide that such convertible or exchangeable securities and the underlying securities be identical in all respects, except that the voting rights of each security underlying the convertible or exchangeable security paid to the holders of the Class A Common Stock shall be one-seventh of the voting rights of each security underlying the convertible or exchangeable security paid to the holders of Class B Common Stock, and such underlying securities paid to the holders of Class B Common Stock shall convert into the security paid to the holders of the Class A Common Stock upon the same terms and conditions applicable to the Class B Common Stock.

Neither the Class A Common Stock nor the Class B Common Stock may be subdivided or combined in any manner unless the other class is subdivided or combined in the same proportion.

Conversion. The shares of Class A Common Stock are not convertible.

The Class B Common Stock is convertible into Class A Common Stock, in whole or in part, at any time and from time to time at the option of the holder, on the basis of 1.015 shares of Class A Common Stock for each share of Class B Common Stock converted. Each share of Class B Common Stock will also automatically convert into 1.015 shares of Class A Common Stock upon the sale or transfer of such share of Class B Common Stock to any person other than a nominee of such holder (without a change in beneficial ownership) or any parent corporation or wholly-owned subsidiary of such holder.

Liquidation. In the event of any dissolution, liquidation, or winding up of the affairs of the Company, whether voluntary or involuntary, after payment of the debts and other liabilities of the Company and making provision for the holders of Preferred Stock, if any, the remaining assets of the Company will be distributed ratably among the holders of the Class A Common Stock and the Class B Common Stock, treated as a single class.

Mergers and Other Business Combinations. Upon a merger, combination, or other similar transaction of the Company in which shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, holders of the Class A Common Stock and Class B Common Stock will be entitled to receive an equal per share amount (assuming conversion of the Class B Common Stock into Class A Common Stock on the basis set forth above) of stock, securities, cash, and/or any other property, as the case may be, into which or for which each share of any other class of Common Stock is exchanged or changed; provided that in any transaction in which shares of capital stock are distributed, such shares so exchanged for or changed into may differ as to voting rights and certain conversion rights to the extent and only to the extent that the voting rights and certain conversion rights of Class A Common Stock and Class B Common Stock differ at that time.

Other Provisions. The holders of the Class A Common Stock and Class B Common Stock are not entitled to preemptive rights. There are no redemption provisions or sinking fund provisions applicable to the Class A Common Stock or the Class B Common Stock.

Preferred Stock

Upon consummation of the Offering, 5,000,000 shares of undesignated Preferred Stock will be authorized, and no shares will be outstanding. The Company's Board of Directors has the authority to issue Preferred Stock in one or more series and to establish the rights, preferences, privileges and restrictions granted to or imposed on any unissued shares of Preferred Stock and to fix the number of shares constituting any series and the designations of such series, without any further vote or action by the stockholders. The Company's Board of Directors will have authority, without approval of the stockholders, to issue Preferred Stock that has voting and conversion rights superior to the Common Stock which may affect the voting power of the holders of Class A Common Stock and could have the effect of delaying, deferring or preventing a change in control of the Company. The Company currently has no plans to issue any shares of Preferred Stock.

Delaware Anti-takeover Law and Certain Charter and Bylaw Provisions

The Company is subject to the provisions of Section 203 of the DGCL, an anti-takeover law. In general, the statute prohibits a publicly-held Delaware corporation from engaging in a business combination with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes a merger, asset sale or other transaction resulting in a financial benefit to the stockholder. For purposes of Section 203, an "interested stockholder" is defined to include any person that is (i) the owner of 15% or more of the voting stock outstanding of the corporation, (ii) an affiliate or associate of that corporation and was the owner of 15% or more of the voting stock outstanding of the corporation, at any time within three years immediately prior to the relevant date, and (iii) an affiliate or associate of the persons described in the foregoing clauses (i) or (ii). Under certain circumstances, Section 203 of the DGCL makes it more difficult for an "interested stockholder" to effect various business combinations with a corporation for a three-year period, although the stockholders may, by adopting an amendment to the corporation's certificate of incorporation or bylaws, elect for the corporation not to be governed by Section 203, effective 12 months after adoption. Neither the Company's Certificate of Incorporation nor the bylaws exempt the Company from the restrictions imposed under Section 203 of the DGCL. It is anticipated that the provisions of Section 203 of the DGCL may encourage companies interested in acquiring the Company to negotiate in advance with the Board of Directors of the Company because the stockholder approval requirement would be avoided if a majority of the directors then in office approve either the business combination or the transaction that results in the stockholder becoming an interested stockholder.

Annual meetings of stockholders shall be held to elect the Board of Directors of the Company and transact such other business as may be properly brought before the meeting. Special meetings of stockholders may be called by the Chairman, Chief Executive Officer or a majority of the Board of

Directors of the Company. The stockholders may act by written consent in lieu of a meeting of stockholders until such time as all shares of Class B Common Stock cease to be outstanding.

The Certificate of Incorporation may be amended with the approval of a majority of the Board of Directors of the Company and the holders of a majority of the Company's voting securities outstanding.

The number of Directors which shall constitute the whole Board of Directors of the Company shall be fixed by resolution of the Board of Directors of the Company. The size of the initial Board is fixed at eleven members. The Directors shall be elected at the annual meeting of the stockholders, except for filling vacancies. Directors may be removed with the approval of the holders of a majority of the Company's voting power present and entitled to vote at a meeting of stockholders. Vacancies and newly created directorships on the Board of Directors of the Company resulting from any increase in the number of Directors may be filled by a majority of the Directors then in office, although less than a quorum, a sole remaining Director, or the holders of a majority of the voting power present and entitled to vote at a meeting of stockholders. In connection with the Combination, the Company has agreed to cause the election of the following individuals to the Board of Directors of the Company, subject to certain conditions: (i) each of the Limited Partners so long as they collectively own at least 69% of the aggregate amount of Class A Common Stock received pursuant to the Conversion; (ii) Mr. O'Connell and either Mr. Ahlers or Mr. Allen, so long as the Limited Partners collectively own at least 45% of the aggregate amount of the Class A Common Stock received pursuant to the Conversion; and (iii) Mr. O'Connell, so long as the Limited Partners collectively own at least 34% of the aggregate amount of Class A Common Stock received pursuant to the Conversion.

The presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote generally shall constitute a quorum for stockholder action at any meeting.

Limitation of Liability; Indemnification

The Company's Certificate of Incorporation contains certain provisions permitted under the DGCL relating to the liability of directors. These provisions eliminate a Director's personal liability for monetary damages resulting from a breach of fiduciary duty, except in certain circumstances involving certain wrongful acts, including (i) for any breach of the Director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the Director derives an improper personal benefit. These provisions do not limit or eliminate the rights of the Company or any stockholder to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of a Director's fiduciary duty. These provisions will not alter a Director's liability under federal securities laws. The Company's bylaws also contains provisions indemnifying the Directors and officers of the Company to the fullest extent permitted by DGCL. The Company believes that these provisions will assist the Company in attracting and retaining qualified individuals to serve as directors and officers. See "Management--Limitation of Liability and Indemnification Matters."

Transfer Agent and Registrar

The Transfer Agent and Registrar for the Class A Common Stock is First Chicago Trust Company of New York.

Shares Eligible for Future Sale

Prior to the Offering, there has been no public market for the Class A Common Stock of the Company. Sales of substantial numbers of shares of Common Stock into the public market after the Offering, or the perception that such sales could occur, could materially and adversely affect the market price of the Class A Common Stock prevailing from time to time or could impair the Company's future ability to obtain capital through an offering of equity securities. The Company cannot predict the effect, if any, that sales of shares of Common Stock, or the availability of such shares for future sales, will have on future market prices of the Common Stock. Such sales also may make it more difficult for the Company to sell equity securities or equity- related securities in the future at the time and price it deems appropriate.

Upon completion of the Offering, the Company will have an aggregate of shares of Class A Common Stock outstanding (if the Underwriters over-allotment option is exercised in full) and shares of Class B Common Stock outstanding. Of these shares, only the shares sold in the Offering will be freely tradeable without restriction or further registration under the Securities Act of 1933, unless such shares are purchased by "affiliates" of the Company as that term is defined in Rule 144 under the Securities Act ("Affiliates"). The remaining shares of Common Stock held by existing stockholders are "restricted securities" as that term is defined in Rule 144 under the Securities Act ("Restricted Shares"). Restricted Shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144, 144(k) or 701 promulgated under the Securities Act, which rules are summarized below. As a result of the contractual restrictions described below and the provisions of Rules 144, 144(k) and 701, no shares of Common Stock will be available for sale in the public market prior to expiration of the lock-up agreements 180 days after the date of this Prospectus.

All Directors, officers and existing stockholders of the Company have agreed that they will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right, or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (provided that such shares or any securities are either now owned by the undersigned or are hereafter acquired prior to or in connection with the Offering), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such shares of Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise other than (x) as a bona fide gift or gifts; provided the donee or donees thereof agree to be bound by the lock-up agreement or (y) a transfer to employees of Modem Media made in connection with the Combination provided such transferees thereof agree to be bound by the lock-up, for a period

ending 180 days after the date of this Prospectus, without the prior written consent of Morgan Stanley & Co. Incorporated. Morgan Stanley & Co. Incorporated currently has no plans to release any portion of the securities subject to lock-up agreements.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this Prospectus, a person (or persons whose shares are aggregated) who has beneficially owned Restricted Shares for at least two years (including the holding period of any prior owner except an Affiliate) would be entitled to sell within any three-month period a number of shares that does not exceed the greater of (i) one percent of the number of shares of Common Stock then outstanding (which will equal approximately shares immediately after this offering) or (ii) the average weekly trading volume of the Common Stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about the Company. Under Rule 144(k), a person who is not deemed to have been an Affiliate of the Company at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least three years (including the holding period of any prior owner except an Affiliate), is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. In general, under Rule 701 of the Securities Act as currently in effect, any employee, consultant or advisor of the Company who purchased shares from the Company in connection with a compensatory stock or option plan or other written agreement is eligible to resell such shares 90 days after the effective date of the Offering in reliance on Rule 144, but without compliance with certain restrictions, including the holding period, contained in Rule 144.

The Commission has recently proposed reducing the initial Rule 144 holding period to one year and the Rule 144(k) holding period to two years. There can be no assurance as to when or whether such rule changes will be enacted. If enacted, such modifications will have a material effect on the times when shares of the Company's Common Stock become eligible for resale.

The Company intends to file a registration statement approximately 90 days after the Offering to register the shares of Class A Common Stock reserved for issuance under the Company's 1996 Stock Option Plan and 1996 Employee Stock Purchase Plan and the shares of Class A Common Stock issuable upon the exercise of options granted to certain employees of Modem Media in connection with the Conversion. Based on the number of shares reserved for issuance as of the date of this Prospectus under such plan, such registration statement would cover approximately shares. See "Management--Stock Plans." Accordingly, shares registered under such registration statement will be available for sale in the open market, unless such shares are subject to vesting restrictions with the Company or the lock-up agreements described above. As of the date of this Prospectus, no options were outstanding under the Company's 1996 Stock Plan. Concurrently with the consummation of the Offering, the Company intends to grant options to purchase an aggregate of shares of Class A Common Stock pursuant to the 1996 Stock Plan to certain Directors, officers and employees of the Company at an exercise price equal to the initial public offering price, of which will be vested immediately. See "Management--Stock Plans."

Underwriters

Under the terms and subject to conditions contained in an Underwriting Agreement dated the date hereof (the "Underwriting Agreement"), the Underwriters named below, for whom Morgan Stanley & Co. Incorporated, Donaldson, Lufkin & Jenrette Securities Corporation and Robertson, Stephens & Company LLC are serving as representatives for the Underwriters (the "Representatives"), have severally agreed to purchase, and the Company and the Selling Stockholders have agreed to sell to them severally, the respective number of shares of Class A Common Stock set forth opposite the name of each Underwriter below:

Number of Name Shares

Morgan Stanley & Co. Incorporated..... Donaldson, Lufkin & Jenrette Securities Corporation..... Robertson, Stephens & Company LLC.....
Total.....

The Underwriters initially propose to offer part of the shares of Class A Common Stock directly to the public at the price to public set forth on the cover page hereof and part to certain dealers at a price that represents a concession not in excess of $ per share under the price to public. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $ per share to other Underwriters or to certain other dealers. After the initial offering of the shares of Class A Common Stock, the offering price and other selling terms may from time to time be varied by the Representatives.

Pursuant to the Underwriting Agreement, the Company has granted to the Underwriters an option, exercisable for 30 days from the date hereof, to purchase up to additional shares of Class A Common Stock at the price to public set forth on the cover page hereof, less underwriting discounts and commissions. The Underwriters may exercise such option solely for the purpose of covering over-allotments, if any, incurred in the sale of the shares of Class A Common Stock offered hereby. To the extent that such option is exercised, each Underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares as the number of shares to be purchased and offered by such Underwriter in the above table bears to the total number of shares to be purchased by the Underwriters.

Application has been made to list the Class A Common Stock for quotation on the Nasdaq National Market under the symbol "TNTI."

The Company and its Directors and officers, and all stockholders of the Company, have agreed that they will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right, or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (provided that such shares or any securities are either now owned by the undersigned or are hereafter acquired prior to or in connection with the Offering), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the

economic consequences of ownership of such shares of Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise other than (w) as a bona fide gift or gifts, provided the donee or donees thereof agree to be bound by the lock-up agreement, (x) a transfer to employees of Modem Media made in connection with the Combination provided such transferees thereof agree to be bound by the lock-up, (y) the sale to the Underwriters of any shares of Class A Common Stock pursuant to the Underwriting Agreement or (z) the grant of options or issuance of stock upon the exercise of outstanding stock options pursuant to the Company's stock option plans, for a period ending 180 days after the date of this Prospectus, without the prior written consent of Morgan Stanley & Co. Incorporated. See "Shares Eligible for Future Sale."

The Representatives have informed the Company that the Underwriters do not intend to confirm sales to accounts over which they exercise discretionary authority.

The Company, True North and the Selling Stockholders and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

From time to time Morgan Stanley & Co. Incorporated has provided, and continues to provide, investment banking services to the Company and True North. In connection with the Conversion and Combination, Morgan Stanley & Co. Incorporated has performed certain financial advisory services, including the issuance of a fairness opinion, to True North, and has received aggregate fees from True North during the past year of approximately $1.3 million in connection with all such services.

Pricing of the Offering

Prior to the Offering, there has been no public market for the shares of Class A Common Stock. Consequently, the initial public offering price will be determined by negotiation among the Company, the Selling Stockholders and the Representatives. Among the factors to be considered in determining the initial public offering price will be the future prospects of the Company and its industry in general, sales, earnings and certain other financial and operating information of the Company in recent periods, and the price-earnings ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to those of the Company. There can be no assurance that a regular trading market for the shares of Class A Common Stock will develop after this offering or, if developed, that a public trading market can be sustained. There can be no assurance that the prices at which the Class A Common Stock will sell in the public market after the Offering will not be lower than the price at which it is issued by the Underwriters in the Offering.

Legal Matters

Certain legal matters with respect to the legality of the issuance of the shares of Class A Common Stock offered hereby will be passed upon for the Company and the Selling Stockholders by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California. Certain legal matters in

connection with the Offering will be passed upon for the Underwriters by Katten Muchin & Zavis, Chicago, Illinois.

Experts

The audited financial statements of Modem Media Advertising Limited Partnership as of December 31, 1994 and 1995 and for each of the three years in the period ended December 31, 1995 included in this Prospectus and elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

The audited combined financial statements of the True North Units as of December 31, 1994 and 1995 and for the years then ended included in this Prospectus and elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

The audited financial statements of R/GA Interactive, Inc. as of December 31, 1993 and 1994 and June 30, 1995 and for the period from inception through December 31, 1993, the year ended December 31, 1994 and the six months ended June 30, 1995 included in this Prospectus and elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

The audited financial statements of Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc. as of December 31, 1993 and March 31, 1994 and for the year ended December 31, 1993 and the three months ended March 31, 1994 included in this Prospectus and elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

Additional Information

The Company has filed with the Commission a Registration Statement on Form S- 1 (the "Registration Statement") under the Securities Act with respect to the shares of Class A Common Stock offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. Certain items are omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Class A Common Stock offered hereby, reference is made to the Registration Statement and the exhibits and schedules filed therewith. Statements contained in this Prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each

such statement being qualified in all respects by such reference. A copy of the Registration Statement, and the exhibits and schedules thereto, may be inspected without charge at the public reference facilities maintained by the Commission in Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices located at the Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048, and copies of all or any part of the Registration Statement may be obtained from such offices upon the payment of the fees prescribed by the Commission. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the site is http://www.sec.gov.

Index to Financial Statements

Page

MODEM MEDIA ADVERTISING LIMITED PARTNERSHIP Report of Independent Public Accountants..... F-3 Balance Sheets as of December 31, 1994 and 1995 and (unaudited) June 30, 1996..... F-4 Statements of Income for the years ended December 31, 1993, 1994 and 1995 and (unaudited) the six months ended June 30, 1995 and 1996..... F-5 Statements of Partners' Capital for the years ended December 31, 1993, 1994 and 1995 and (unaudited) the six months ended June 30, 1996..... F-6 Statements of Cash Flows for the years ended December 31, 1993, 1994 and 1995 and (unaudited) the six months ended June 30, 1995 and 1996..... F-7 Notes to Financial Statements..... F-8 TRUE NORTH UNITS Report of Independent Public Accountants..... F-12 Combined Balance Sheets as of December 31, 1994 and 1995 and (unaudited) June 30, 1996..... F-13 Combined Statements of Income (Loss) and Retained Earnings (Deficit) for the years ended December 31, 1994 and 1995 and (unaudited) the six months ended June 30, 1995 and 1996..... F-14 Combined Statements of Cash Flows for the years ended December 31, 1994 and 1995 and (unaudited) the six months ended June 30, 1995 and 1996... F-15 Notes to Combined Financial Statements..... F-16 R/GA INTERACTIVE, INC. Report of Independent Public Accountants..... F-22 Balance Sheets as of December 31, 1993, December 31, 1994, and June 30, 1995..... F-23 Statements of Operations and Retained Deficit for the Period from Inception through December 31, 1993, the year ended December 31, 1994 and the six months ended June 30, 1995..... F-24 Statements of Cash Flows for the Period from Inception through December 31, 1993, the year ended December 31, 1994 and the six months ended June 30, 1995..... F-25 Notes to Financial Statements..... F-26 CHRISTIANSEN, FRITSCH, GIERSDORF, GRANT & SPERRY, INC. Report of Independent Public Accountants..... F-29 Balance Sheets as of December 31, 1993 and March 31, 1994..... F-30 Statements of Loss and Retained Deficit for the

year ended December 31, 1993 and the three months ended March 31, 1994..... F-31 Statements of Cash Flows for the year ended December 31, 1993 and the three months ended March 31, 1994..... F-32 Notes to Financial Statements..... F-33

Modem Media Advertising Limited Partnership

Financial Statements

AS OF DECEMBER 31, 1994 AND 1995 AND (UNAUDITED) JUNE 30, 1996 TOGETHER WITH AUDITORS' REPORT

Report of Independent Public Accountants

To the Board of Directors of True North Communications Inc.:

We have audited the accompanying balance sheets of Modem Media Advertising Limited Partnership (a Connecticut limited partnership) as of December 31, 1994 and 1995, and the related statements of income, partners' capital and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the management of Modem Media Advertising Limited Partnership. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Modem Media Advertising Limited Partnership as of December 31, 1994 and 1995 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

Arthur Andersen Llp

Chicago, Illinois September 23, 1996 (except with respect to the matters discussed in Note 7, to which the date is October 23, 1996)

Modem Media Advertising Limited Partnership

Balance Sheets

As of December 31, 1994 and 1995 and (Unaudited) June 30, 1996

ASSETS	DECEMBER 31, 1994	DECEMBER 31, 1995	JUNE 30, 1996 (UNAUDITED)
CURRENT ASSETS:			
Cash	$ 2,091	$ 184,041	$ 518,377
Accounts receivable, net of reserve for doubtful accounts of $21,321 in 1994, $262,139 in 1995 and $280,969 (unaudited) in 1996	889,479	4,933,515	4,940,591
Accrued revenues	133,049	315,594	857,208
Unbilled charges	520,904	758,520	405,071
Prepaid expenses	15,510	22,329	63,383
Total current assets	1,561,033	6,213,999	6,784,630
PROPERTY AND EQUIPMENT:			
Computers and software	263,914	1,048,595	1,415,169
Equipment under capital leases	--	302,322	435,795
Leasehold improvements, furniture and other	58,159	167,464	293,192
Total property and equipment	322,073	1,518,381	2,144,156
Less: Accumulated depreciation	(58,876)	(311,801)	(572,623)
Total property and equipment, net	263,197	1,206,580	1,571,533
OTHER ASSETS	29,895	42,731	67,283
Total assets	$1,854,125	$7,463,310	$8,423,446

Liabilities and Partners' Capital

CURRENT LIABILITIES:			
Accounts payable	$ 268,440	$2,550,593	$2,336,221
Accrued compensation	152,344	319,671	855,376
Other current liabilities	3,729	52,547	50,554
Bank overdrafts	--	157,557	--
Advance billings	103,000	353,288	674,955
Current portion of capital lease obligations	--	82,235	122,399
Total current liabilities	527,513	3,515,891	4,039,505
CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION	--	185,706	160,710
Total liabilities	527,513	3,701,597	4,200,215
PARTNERS' CAPITAL			
General partner's interest	1,050,929	2,028,646	2,570,971
Limited partners' interest	275,683	1,733,067	1,652,260
Total partners' capital	1,326,612	3,761,713	4,223,231
Total liabilities and partners' capital	$1,854,125	$7,463,310	$8,423,446

The accompanying notes to financial statements are an integral part of these balance sheets.

Modem Media Advertising Limited Partnership

Statements of Income

FOR THE YEARS ENDED DECEMBER 31, 1993, 1994 AND 1995 AND (UNAUDITED) THE SIX MONTHS ENDED JUNE 30, 1995 AND 1996

	DECEMBER 31,			JUNE 30,	
	1993	1994	1995	1995	1996
				(UNAUDITED)	
REVENUES	$1,221,347	$4,334,604	$11,718,433	$4,448,555	$7,908,549
OPERATING EXPENSES:					
Salaries, outside services and employee benefits expenses	245,471	1,910,608	4,913,378	1,720,017	4,487,993
Guaranteed payments to partners	160,241	328,345	628,750	222,083	433,333
Office and general expenses	334,674	858,449	2,223,913	599,678	1,698,629
Total operating expenses	740,386	3,097,402	7,766,041	2,541,778	6,619,955
OPERATING INCOME	480,961	1,237,202	3,952,392	1,906,777	1,288,594
Interest income	2,531	4,154	20,114	6,052	9,119
Interest expense	--	--	(12,645)	(1,736)	(20,340)
NET INCOME	$ 483,492	$1,241,356	$ 3,959,861	$1,911,093	$1,277,373

The accompanying notes to financial statements are an integral part of these statements.

Modem Media Advertising Limited Partnership

Statements of Partners' Capital

FOR THE YEARS ENDED DECEMBER 31, 1993, 1994 AND 1995 AND (UNAUDITED) THE SIX MONTHS ENDED JUNE 30, 1996

	GENERAL PARTNER'S INTEREST	LIMITED PARTNERS' INTEREST	TOTAL PARTNERS' CAPITAL
Partners' Capital, January 1, 1993	$ 299,265	$ --	$ 299,265
Net Income	390,428	93,064	483,492
Distributions	(303,374)	(10,000)	(313,374)
Contributions	--	2,345	2,345
Contributions Receivable (Payable)	299,265	(299,265)	--
Partners' Capital, December 31, 1993	685,584	(213,856)	471,728
Net Income	633,092	608,264	1,241,356
Distributions	(267,747)	(118,725)	(386,472)
Partners' Capital, December 31, 1994	1,050,929	275,683	1,326,612
Net Income	2,019,529	1,940,332	3,959,861
Distributions	(1,041,812)	(482,948)	(1,524,760)
Partners' Capital, December 31, 1995	2,028,646	1,733,067	3,761,713
Net Income (unaudited)	651,460	625,913	1,277,373
Distributions (unaudited)	(109,135)	(714,375)	(823,510)
Contributions (unaudited)	--	7,655	7,655

```
Partners' Capital, June 30, 1996
 (unaudited)............................. $2,570,971  $1,652,260  $4,223,231
```

The accompanying notes to financial statements are an integral part of these statements.

Modem Media Advertising Limited Partnership

Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 1993, 1994 AND 1995 AND (UNAUDITED) THE SIX MONTHS ENDED JUNE 30, 1995 AND 1996

	DECEMBER 31,		JUNE 30,	
1993	1994	1995	1995	1996
			(UNAUDITED)	

CASH FLOWS FROM OPERATING ACTIVITIES: Net income..... $483,492 $1,241,356 $ 3,959,861 $1,911,093 $1,277,373 Adjustments to reconcile net income to net cash provided by operating activities-- Depreciation and amortization..... 7,939 53,767 252,925 40,125 260,822 Increase in accounts receivable..... (143,452) (451,682) (4,044,036) (2,222,958) (7,076) (Increase) decrease in accrued revenue..... 37,020 (88,304) (182,545) 75,529 (541,614) (Increase) decrease in unbilled charges..... -- (520,904) (237,616) (345,102) 353,449 Increase in prepaid expenses..... (11,762) (3,748) (6,819) (28,070) (41,054) Increase in other assets..... (17,715) (6,478) (12,836) (35,939) (24,552) Increase (decrease) in accounts payable and other current liabilities..... (22,403) 368,916 2,498,298 1,536,728 319,340 Increase (decrease) in advance billings..... (30,000) 65,500 250,288 353,308 321,667 Net cash provided by operating activities..... 303,119 658,423 2,477,520 1,284,714 1,918,355 CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of property and equipment..... (31,059) (270,674) (893,986) (397,416) (492,302) Retirement of property and equipment..... 12,783 -- -- -- -- Net cash used in investing activities..... (18,276) (270,674) (893,986) (397,416) (492,302) CASH FLOWS FROM FINANCING ACTIVITIES: Bank overdrafts..... -- -- 157,557 -- (157,557) Principal payments under capital lease obligations..... -- -- (34,381) (1,213) (118,305) Partners' distributions, net.. (311,029) (386,472) (1,524,760) (395,629) (815,855) Net cash used in financing activities..... (311,029) (386,472) (1,401,584) (396,842) (1,091,717) NET INCREASE (DECREASE) IN CASH..... (26,186) 1,277 181,950 490,456 334,336 CASH, at beginning of period..... 27,000 814 2,091 2,091 184,041 CASH, at end of period. $ 814 $ 2,091 $ 184,041 $ 492,547 $ 518,377 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: Cash paid during the period for interest. $ -- $ -- $ 12,645 $ 1,736 $ 10,104 SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES: Investment in property and equipment through incurrence of capitalized lease obligations..... $ -- $ -- $ 302,322 $ -- $ 133,473 The accompanying notes to financial statements are an integral part of these statements.

Modem Media Advertising Limited Partnership

Notes to Financial Statements

December 31, 1993, 1994 and 1995 and (Unaudited) June 30, 1996

1. Business and Significant Accounting Policies

Description of Business

Modem Media Advertising Limited Partnership, a Connecticut limited partnership (the "Company"), was founded as Interactive Response Media, a Connecticut General Partnership, in 1987. In June 1993 Interactive Response Media reorganized as a Connecticut Limited Partnership and changed its name to Modem Media Advertising Limited Partnership. The Company is a technology-based marketing communications firm which provides interactive marketing solutions to its customers. The Company's operations are subject to certain risks and uncertainties including dependence on key clients (see Significant Customers below) and an absence of long-term contracts with all clients; management of growth and the related strain on management and human resources; dependence on key management personnel; competition and low barriers to entry; uncertainty of market potential for digital interactive marketing solutions; dependence on continued growth in use of the Internet and the World Wide Web; rapid technological change; conflicts of interests between clients; uncertainties regarding intellectual property rights; government regulation of the marketing communications industry; and susceptibility to general economic conditions. See also the "Risk Factors" section of this Form S-1 for additional information.

Unaudited Financial Statements

The unaudited balance sheet as of June 30, 1996 and the unaudited statements of income, and cash flows for the six months ended June 30, 1995, and the unaudited statements of income, partners' capital and cash flows for the six months ended June 30, 1996 reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results of the interim periods. The operating results for the six months ended June 30, 1995 and 1996 are not necessarily indicative of the results to be expected for any other interim period or any future fiscal year.

Significant Customers

The Company's services have been provided to a limited number of customers located in the United States in a variety of industries. The Company generally does not require collateral and maintains a reserve for potential customer account adjustments. One telecommunications industry customer accounted for approximately 29%, 57%, 78%, 71% (unaudited) and 84% (unaudited) of the Company's revenues in the years ended December 31, 1993, 1994, 1995, and the six months ended June 30, 1995 and 1996, respectively. Combined revenue from two customers in the retail and beverage industries represented 36%, 27%, 12%, 17% (unaudited) and 6% (unaudited) of the Company's revenues in the years ended December 31, 1993, 1994, 1995, and the six months ended June 30, 1995 and 1996, respectively.

Subsequent to December 31, 1995, the Company substantially completed all contract work in progress for a significant customer which comprised 15%, 15%, 6%, 9% (unaudited) and 0% (unaudited) of total Company revenue for the years ended December 31, 1993, 1994, 1995 and the six months ended June 30, 1995 and 1996, respectively. No significant future contract work is in progress for this customer. Management believes that the absence of further contract work with this customer will not have a material adverse effect on the operations of the Company.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

Revenue Recognition

Revenue represents fees for marketing services rendered as well as commissions on media and production costs. The Company recognizes revenue for fees as they are earned based principally on labor costs incurred. This method approximates the percentage of completion method. Commissions on media and production costs

are recognized as revenue when billed. Advance billings represent billings in excess of costs incurred and estimated earnings for advertising services. Accrued revenues represent costs incurred and estimated earnings in excess of billings. Unbilled charges consist of media, production and other reimbursable out-of-pocket costs incurred but not yet billed. Revenue is reported net of reimbursable costs. Losses on customer work are recognized when known.

Property and Equipment

Property and equipment are stated at cost and are depreciated over their estimated useful lives ranging from three to eight years using both straight- line and accelerated methods. Purchased software and third party costs incurred to develop software for internal company use are capitalized and amortized over three years. Leasehold improvements are amortized over the lesser of their useful lives or the remaining term of the related lease. The Company reviews its recorded fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and provides currently for any indicated impairments.

Income Taxes

The Company is a limited partnership pursuant to the provisions of the Internal Revenue and Connecticut State Tax Codes. Consequently, any federal and state income taxes applicable to the Company's income are payable directly by its partners. Taxable income to the partners was $464,784, $1,465,334, and $3,158,033, for the years ended December 31, 1993, 1994 and 1995.

2. Reserve for Doubtful Accounts

The Company's reserve for doubtful accounts and related activity is as follows:

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	(DEDUCTIONS)	BALANCE AT END OF PERIOD
Year Ended December 31, 1993.....	$ 0	$ 42,779	$ 0	$ 42,779
Year Ended December 31, 1994.....	$ 42,779	$ 22,421	$(43,879)	$ 21,321
Year Ended December 31, 1995.....	$ 21,321	$258,273	$(17,455)	$262,139
Six Months Ended June 30, 1996 (unaudited).....	$262,139	$ 38,988	$(20,158)	$280,969

3. Lease Commitments

The Company leases office space in Westport and Norwalk, Connecticut and equipment under capital and operating leases expiring in various years through 2000. The total rent expense related to operating leases totaled $40,025, $74,086, $295,940, $47,061 (unaudited) and $205,602 (unaudited) in the years ended December 31, 1993, 1994, 1995, and the six months ended June 30, 1995 and 1996, respectively.

Minimum future lease payments under noncancelable capital and operating leases with lease terms in excess of one year as of December 31, 1995, and (unaudited) June 30, 1996 are as follows:

	DECEMBER 31, 1995		JUNE 30, 1996 (UNAUDITED)	
	CAPITAL	OPERATING	CAPITAL	OPERATING
1996.....	$100,629	$ 444,510	$108,125	$ 238,908
1997.....	58,809	511,124	58,809	511,124
1998.....	58,809	487,922	58,809	487,922
1999.....	57,598	464,720	57,598	464,720
2000.....	35,581	271,087	35,581	271,087
	311,426	$2,179,363	318,922	$1,973,761
Less: amount representing interest.....	(43,485)		(35,813)	
	$267,941		$283,109	

The Company's obligations under the office space lease are guaranteed as of December 31, 1995 by a $160,000 stand by letter of credit secured by accounts receivable and other assets. In April 1996, the Company obtained an additional $100,000 standby letter of credit to guarantee certain vendor payables.

The Company entered into two sublease agreements on October 1, 1995 and May 1, 1996, respectively, on the Norwalk, Connecticut locations. Total additional revenues to be received in future years pursuant to these sublease agreements which will offset the Company's obligation approximate $87,600 as of December 31, 1995 and $76,800 (unaudited) as of June 30, 1996.

4. Retirement Benefit Plan

Since January 1, 1994, the Company has maintained a profit sharing plan with a 401(k) feature for the benefit of eligible employees. The Company made discretionary matching contributions of $93,150, $60,000, $0 (unaudited) and $50,000 (unaudited) in the years ended December 31, 1994 and 1995 and the six months ended June 30, 1995 and 1996, respectively.

5. Line of Credit

At December 31, 1995, the Company had confirmed a $250,000 bank line of credit secured by accounts receivable and other assets (which in turn are guaranteed by the limited partners of the Company). In April 1996, the bank line of credit was increased to $1,000,000. There were no borrowings under bank lines during the years ended December 31, 1993, 1994 or 1995, or the six months ended June 30, 1995 or 1996.

6. Transactions with Partners

The Company's partners are also employees of the Company and their compensation is included in the accompanying statements of income and partners' capital as "Guaranteed payments to partners." Distributions of the Company's net income to the partners is included in the financial statements as "Partners' distributions." The Company had a loan receivable from one partner with a balance of $21,751 and $22,496, as of December 31, 1994 and 1995, respectively. This loan receivable is included in Other Assets in the accompanying balance sheets.

7. Subsequent Events

Effective September 30, 1996, the assets which secured the line of credit (see Note 5. above) were no longer guaranteed by the limited partners of the Company.

In October 1996, the Company established the Modem Media Advertising Limited Partnership 1996 Option Plan and granted fully vested options to purchase Modem Media Advertising Limited Partnership interests to certain management employees. These options will result in a noncash nonrecurring charge.

In October 1996, True North Communications Inc. agreed to acquire 49% ownership of the Company directly from the partners. Subsequently, the Company will incorporate as a C corporation under the name TN Technologies Holding Inc. At the time of this incorporation, the Company will record tax amounts primarily related to changing from a cash basis tax payer to an accrual basis tax payer. Based on the Company's June 30, 1996 financial position, the Company would record a charge against paid-in capital of $788,288 (unaudited), current prepaid taxes of $270,448 (unaudited) and noncurrent tax liabilities of $1,058,736 (unaudited). Additionally, in connection with the acquisition and incorporation, an incentive compensation arrangement is expected to be established that will provide for payments to the partner employees in the event that certain annual operating results are achieved in 1996.

In October 1996, the Company also agreed to acquire, subject to certain closing conditions, certain businesses from True North Communications Inc. in exchange for approximately 9% ownership of the Company.

True North Units

Combined Financial Statements

AS OF DECEMBER 31, 1994 AND 1995 AND (UNAUDITED) JUNE 30, 1996 TOGETHER WITH AUDITOR'S REPORT

Report of Independent Public Accountants

To the Board of Directors of True North Communications Inc.:

We have audited the accompanying combined balance sheets of the True North Units, consisting of the businesses described in Note 1 to the combined financial statements, as of December 31, 1994 and 1995, and the related combined statements of income (loss) and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the management of True North Communications Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined statements referred to above present fairly, in all material respects, the financial position of the True North Units as of December 31, 1994 and 1995, and the results of their operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

Arthur Andersen Llp

Chicago, Illinois September 30, 1996 (except for the matter discussed in Note 10, to which the date is October 21, 1996)

True North Units

Combined Balance Sheets

As of December 31, 1994 and 1995 and (Unaudited) June 30, 1996

ASSETS	DECEMBER 31, 1994	DECEMBER 31, 1995	JUNE 30, 1996 (UNAUDITED)
CURRENT ASSETS:			
Cash	$ 236,141	$ 446,229	$ 246,282
Accounts Receivable, net of reserve for doubtful accounts of $87,710 in 1994, $102,998 in 1995 and $76,150 (unaudited) in 1996	2,399,412	4,540,255	5,339,835
Accounts Receivable from Related Party.	--	79,403	79,403
Accrued Revenues	113,511	566,477	461,560
Unbilled Charges	--	205,069	397,372
Income Taxes Receivable	111,914	1,173,573	1,714,317
Prepaid Expenses and Other Current Assets	8,478	61,424	107,957
Total Current Assets	2,869,456	7,072,430	8,346,726
PROPERTY AND EQUIPMENT:			
Computers and Software	201,534	3,740,679	4,807,093
Leasehold Improvements, Furniture and Other	140,501	250,846	343,691
Total Property and Equipment	342,035	3,991,525	5,150,784
Less: Accumulated Depreciation and Amortization	(25,680)	(465,043)	(600,787)
Total Property and Equipment, net	316,355	3,526,482	4,549,997
GOODWILL, net of accumulated amortization of $16,301 in 1994, $180,569 in 1995 and $344,501 (unaudited) in 1996	723,733	3,748,559	3,584,627
OTHER ASSETS	2,384	2,384	2,384
Total Assets	$3,911,928	$14,349,855	$16,483,734
LIABILITIES AND STOCKHOLDER'S EQUITY			
CURRENT LIABILITIES:			
Accounts Payable	$ 310,861	$ 891,557	$ 1,429,874
Earnout Payable	54,118	1,143,626	132,006
Advance Billings	1,721,281	2,419,649	2,952,044
Income Taxes Payable	181,932	--	--
Accrued Compensation	84,276	307,641	122,238
Other Current Liabilities	21,133	265,763	153,623
Total Current Liabilities	2,373,601	5,028,236	4,789,785
DEFERRED TAX LIABILITY	--	250,808	376,212
INTERCOMPANY LOANS PAYABLE	1,120,286	9,797,761	13,533,478
STOCKHOLDER'S EQUITY			
Common Stock, authorized, issued and outstanding 6,250 shares for Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc. in 1994, 1995 and (unaudited) 1996	162,000	162,000	162,000
Retained Earnings (Deficit)	256,041	(888,950)	(2,377,741)
Total Stockholder's Equity	418,041	(726,950)	(2,215,741)

Total Liabilities and Stockholder's Equity	$3,911,928 $14,349,855 $16,483,734

The accompanying notes to combined financial statements are an integral part of these balance sheets.

True North Units

Combined Statements of Income (Loss) and Retained Earnings (Deficit)

FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995 AND (UNAUDITED) THE SIX MONTHS ENDED JUNE 30, 1995 AND 1996

	DECEMBER 31,		JUNE 30,	
	1994	1995	1995	1996
			(UNAUDITED)	
REVENUES	$4,019,724	$11,438,904	$4,201,508	$ 8,124,959
OPERATING EXPENSES:				
Salaries, Outside Services and Employee Benefits Expenses	2,578,875	7,445,129	2,366,573	6,129,336
Office and General Expenses	1,059,658	5,728,138	1,705,492	4,526,770
Amortization of Goodwill	16,301	164,268	8,980	163,932
Total Operating Expenses	3,654,834	13,337,535	4,081,045	10,820,038
OPERATING INCOME (LOSS)	364,890	(1,898,631)	120,463	(2,695,079)
Other Income (Expense), net	(38,831)	3,908	--	--
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	326,059	(1,894,723)	120,463	(2,695,079)
PROVISION (BENEFIT) FOR INCOME TAXES	70,018	(872,641)	(9,376)	(1,206,288)
NET INCOME (LOSS)	256,041	(1,022,082)	129,839	(1,488,791)
DIVIDENDS	--	(123,409)	(123,409)	--
RETAINED EARNINGS (DEFICIT), beginning of period	--	256,041	256,041	(889,450)
RETAINED EARNINGS (DEFICIT), end of period	$ 256,041	$ (889,450)	$ 262,471	$(2,378,241)

The accompanying notes to combined financial statements are an integral part of these statements.

True North Units

Combined Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995 AND (UNAUDITED) THE SIX MONTHS ENDED JUNE 30, 1995 AND 1996

	DECEMBER 31,		JUNE 30,	
	1994	1995	1995	1996

(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES: Net Income (Loss)..... $ 256,041 $(1,022,082) $ 129,839 $(1,488,791) Adjustments to reconcile net income (loss) to net cash used in operating activities-- Depreciation..... 99,410 429,205 116,259 135,744 Amortization of Goodwill..... 16,301 164,268 8,980 163,932 Loss on Sale of Equipment..... 43,091 -- -- -- Changes in Assets and Liabilities Accounts Receivable... (1,594,042) (1,870,341) (1,764,145) (799,580) Accounts Receivable from Related Party... -- (79,403) -- -- Accrued Revenues..... -- (83,265) -- 104,917 Unbilled Charges..... 24,295 (202,817) 93,178 (192,303) Prepaid Expenses and Other Current Assets. 24,451 (52,894) (67,329) (46,533) Accounts Payable..... (248,851) 577,976 1,314,150 538,317 Advance Billings..... 1,280,313 647,708 28,949 532,395 Income Taxes Payable/Receivable... 70,018 (1,243,591) (96,655) (540,744) Accrued Compensation.. 70,251 229,635 -- (185,403) Other Current Liabilities..... (67,632) 3,641 (44,424) (112,140) Deferred Income Taxes. -- 250,808 -- 125,404 Net Cash Used in Operating Activities..... (26,354) (2,251,152) (281,198) (1,764,785) CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of Property and Equipment..... (133,838) (3,595,122) (1,607,573) (1,079,165) Net Cash Used in In- vesting Activities..... (133,838) (3,595,122) (1,607,573) (1,079,165) CASH FLOWS FROM FINANCING ACTIVITIES: Loans From Parent Company. 690,010 6,233,889 2,231,828 3,655,623 Dividends Paid to Parent Company..... -- (123,409) (123,409) -- Payment of Earnout..... -- (54,118) (54,118) (1,011,620) Net Repayment of Short- term Borrowings..... (258,379) -- -- -- Repayments of Long-term Debt..... (180,907) -- -- -- Net Cash Provided by Financing Activi- ties..... 250,724 6,056,362 2,054,301 2,644,003 NET INCREASE (DECREASE) IN CASH..... 90,532 210,088 165,530 (199,947) CASH, beginning of period... 145,609 236,141 236,141 446,229 CASH, end of period..... $ 236,141 $ 446,229 $ 401,671 $ 246,282 The accompanying notes to combined financial statements are an integral part of these statements.

True North Units

Notes to Combined Financial Statements

December 31, 1994 and 1995 and (Unaudited) June 30, 1996

1. Business and Significant Accounting Policies

PRINCIPLES OF COMBINATION--The combined financial statements include the accounts of various businesses owned and operated by True North Communications Inc. ("TNC") (together, the "True North Units"). These operations include:

. Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc. ("Cf2GS") which TNC acquired effective April 1, 1994, . R/GA Interactive, Inc. which TNC acquired effective July 1, 1995, . Northern Lights Interactive which commenced operations in 1995 as divisions of various subsidiary companies of TNC, and, . Relationship Technology Group which commenced operations in 1994 as a division of TNC.

The results of operations and cash flows of Cf2GS, Inc. and R/GA Interactive, Inc. are included from their respective dates of acquisition (see also Note 2). None of the True North Units either were owned by TNC in 1993 or had operations in 1993.

All significant intercompany transactions have been eliminated.

DESCRIPTION OF BUSINESSES--The True North Units consist primarily of digital marketing communications businesses which provide their clients with technology-based marketing solutions as well as direct mail, media and general advertising services. The operations of the True North Units are subject to certain risks and uncertainties, including dependence on its relationship with TNC for client referrals as well as management and administrative services; limited operating history of certain businesses; dependence on key clients (see Significant Customers below) and an absence of long-term contracts with all clients; management of growth and the related strain on management and human resources; dependence on key management personnel for certain businesses; competition and low barriers to entry; uncertainty of market potential for digital interactive marketing solutions; dependence on continued growth in use of the Internet and the World Wide Web; rapid technological change; conflicts of interests between clients; uncertainties regarding intellectual property rights; risks associated with expanding operations internationally in 1996; government regulation of the marketing communications industry; and susceptibility to general economic conditions. See also the "Risk Factors" Section of this Form S-1 for additional information.

UNAUDITED FINANCIAL STATEMENTS--The unaudited balance sheet as of June 30, 1996 and the unaudited statements of income (loss) and retained earnings (deficit) and cash flows for the six months ended June 30, 1995 and 1996 reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results of the interim periods. The operating results for the six months ended June 30, 1995 and 1996 are not necessarily indicative of the results to be expected for any other interim period or any future fiscal year.

USE OF ESTIMATES--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reported period. Actual results could differ from these estimates.

SIGNIFICANT CUSTOMERS--One customer, a financial institution, accounted for approximately 18%, 25%, 10% (unaudited) and 14% (unaudited) of combined revenues in 1994, 1995 and the six months ended June 30, 1995 and 1996, respectively. Another customer, a government agency, accounted for approximately 12% and

10% (unaudited) of combined revenues in 1995 and the six months ended June 30, 1996, respectively. A third customer, in the entertainment industry, accounted for approximately 13% and 11% (unaudited) of combined revenues in 1995 and the six months ended June 30, 1996, respectively.

REVENUE RECOGNITION--Revenues represent fees for services rendered as well as commissions on media and production costs. Fees are recognized as earned based principally on labor costs incurred. This method approximates the percentage-of-completion method. Provisions for any estimated losses on uncompleted projects are made in the period in which such losses are determinable. Commissions are recognized as revenue when billed. Revenue is reported net of reimbursable expenses.

Accrued revenues represent cost incurred and estimated earnings in excess of billings. Advance billings represent billings in excess of costs incurred and estimated earnings for services. Unbilled charges represent media, production and other reimbursable out-of-pocket costs incurred but not yet billed to customers.

PROPERTY AND EQUIPMENT--Property and equipment are stated at cost and are depreciated principally using the straight line method over their estimated useful lives ranging from three to eight years. Purchased software and third- party costs incurred to develop software for internal company use are capitalized and amortized over five years. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the life of the lease. Recorded fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and indicated impairments are provided for currently.

GOODWILL--Goodwill is amortized over periods from seven to forty years. Carrying values are periodically reviewed for impairment and adjusted, if necessary, based upon current facts and circumstances and management's estimates of undiscounted future operating earnings of the related businesses.

INCOME TAXES--The True North Units are parties to a tax sharing arrangement with TNC whereby the True North Units provide for, and pay or receive, federal and state taxes on a separate return basis based upon pretax income excluding goodwill amortization expense. The True North Units' results are included in the consolidated federal and state tax returns of TNC. The settlement of tax provisions or benefits with TNC occurs in the subsequent year at the time TNC files its related consolidated tax returns. Income taxes receivable or payable therefore represent amounts due from or to TNC.

The True North Units provide for federal and state income taxes on earnings regardless of the period in which such taxes are payable. Deferred income taxes are recognized for temporary differences between financial and income tax reporting based on enacted tax laws and rates.

2. Acquired Companies

Effective April 1, 1994, TNC acquired all of the outstanding common stock of Cf2GS for $275,000, and assumed borrowings, debt and capital notes totaling $414,286. The acquisition was accounted for using the purchase method of accounting. The excess of the initial cost of the acquisition over the fair market value of net assets acquired was $685,916. Under the terms of the acquisition agreement, the former stockholders of Cf2GS are due annual earnout payments based upon a percentage of revenues through 1998. Earnout amounts of $54,118, $1,143,626 and $0 (unaudited) have been capitalized as goodwill in 1994, 1995 and at June 30, 1996, respectively. This portion of goodwill is being amortized over forty years.

Effective July 1, 1995, TNC acquired certain assets and assumed certain liabilities of various entities owned by Robert M. Greenberg. In addition, TNC acquired from Robert M. Greenberg the common stock of R/GA Interactive, Inc. The consideration paid was allocated to each of the operations acquired, including R/GA Interactive, Inc., by TNC which resulted in goodwill of $2,045,468. This portion of goodwill is being amortized over seven years.

True North Units

Notes to Combined Financial Statements--(continued)

The following unaudited pro forma summary presents the combined results of operations of the True North Units as if the acquisitions of Cf2GS and R/GA Interactive, Inc. had occurred on January 1, 1994 and, therefore, includes the amortization of goodwill from this date:

1994 1995

Revenues..... $5,697,690 $12,822,244 Net Loss..... $ (681,129) $(1,463,749) These pro forma results do not necessarily represent results which would have occurred if these acquisitions had occurred on the date indicated or which may be obtained in the future.

3. Costs Shared with Parent Company

As discussed in Note 1, the True North Units are divisions or subsidiaries of TNC. TNC provides a wide range of services to the True North Units including participation in and administration of certain employee benefit plans (see also Note 6), accounting and treasury services, use of advertising personnel to assist in the completion of marketing projects, and use of office facilities and services for certain operations.

TNC charges for these services based on its estimated cost to provide these services to the True North Units. Management of the True North Units and TNC believe that the amounts charged for these services are not materially different than the cost of obtaining these services from independent parties.

Charges amounted to $41,800, $861,442, $132,124 (unaudited) and $1,511,184 (unaudited) in 1994, 1995 and the six months ended June 30, 1995 and 1996, respectively, and are included in office and general expenses in the combined statements of income (loss) and retained earnings (deficit).

4. Home Office Allocations

TNC also charges each of its operating units (including the True North Units) for general corporate expenses incurred at the parent company level. These costs include the costs of the corporate offices, primarily as they relate to the administration of a public company. The amount of the charge is based on the percentage of the operating unit's salaries to the total salaries of all TNC operating units. It is TNC's policy to not assess its acquired operating units this charge in the first year after the acquisition. Charges amounted to $45,300, $432,286, $201,000 (unaudited) and $283,835 (unaudited) in 1994, 1995 and the six months ended June 30, 1995 and 1996, respectively, and are included in office and general expenses in the combined statements of income (loss) and retained earnings (deficit).

5. Lease Obligations

The True North Units lease all of their office facilities as well as certain equipment and vehicles under operating leases. All of the True North Units, except for Cf2GS, lease their office facilities from various subsidiary companies of TNC under month-to-month lease terms. Rent expense was $260,014, $394,741 and $196,732 in 1994, 1995 and the six months ended June 30, 1996, respectively.

Minimum future lease payments under noncancelable operating leases with third parties with lease terms in excess of one year as of December 31, 1995 were as follows:

1996..... $306,645 1997..... 252,576 1998..... 207,159 1999..... 18,360 2000..... 9,180 Total..... $793,920

6. Retirement Benefit Plans

Cf2GS maintains a profit sharing plan with a 401(k) feature for the benefit of eligible employees. Cf2GS makes matching contributions equal to 25% of employee deferrals up to 6% of an employee's salary. Matching contributions of $13,771, $17,864 and $16,333 (unaudited) were made in 1994, 1995 and the six months ended June 30, 1996, respectively. All of the other True North Units participate in retirement benefit plans offered by TNC and are charged for such costs as described in Note 3 above.

7. Income Taxes

The provision (benefit) for income taxes consists of the following:

1994 1995

Current provision (benefit):		
Federal	$ 170,259	$ (872,641)
State	11,673	(333,387)
Deferred provision (benefit):	181,932	(1,206,028)
Federal	(96,094)	270,096
State	(15,820)	63,291
	(111,914)	333,387
	$ 70,018	$ (872,641)

Components of the deferred provision (benefit) were as follows:

1994 1995

Amortization	$ --	$249,500
Bonus accrued, not paid	(17,500)	(38,301)
Deferred income	(86,000)	47,821
Advance billing	--	53,145
Other	(8,414)	21,222
	$(111,914)	$333,387

Differences between the effective income tax rate and the U.S. statutory rate were as follows:

1994 1995

Statutory federal tax rate	35.0%	35.0%
State taxes, net of federal benefit	8.0	8.0
Tax basis in excess of book basis	(21.5)	--
Other	--	3.1
Effective rate	21.5%	46.1%

The deferred tax assets and liabilities included in the combined financial statements as of December 31, 1994 and 1995 consist of the following:

	DECEMBER 31, 1994			DECEMBER 31, 1995		
	ASSETS	LIABILITIES	TOTAL	ASSETS	LIABILITIES	TOTAL
Current:						
Bonus accrued, not paid	$ 17,500	$--	$ 17,500	$ 55,801	$ --	$ 55,801
Deferred income	86,000	--	86,000	38,179	--	38,179
Advance billing	--	--	--	--	53,145	(53,145)
Other	5,897	--	5,897	67,201	78,701	(11,500)
	109,397	--	109,397	161,181	131,846	29,335
Noncurrent:						
Accelerated amortization	--	--	--	--	249,500	(249,500)
Other	2,517	--	2,517	--	1,308	(1,308)
	2,517	--	2,517	--	250,808	(250,808)
	$111,914	$--	$111,914	$161,181	$382,654	$(221,473)

Management of the True North Units believes that the deferred tax assets are fully realizable, therefore no valuation allowances for deferred tax assets has been provided.

The True North Units made payments for income taxes of $0 and $138,845 in 1994 and 1995, respectively.

8. Intercompany Loans

Intercompany loans represent cash funding provided by TNC to finance the True North Units' operations. TNC does not charge interest on these loans. In September 1996, TNC agreed to contribute all of the outstanding intercompany loans to the True North Units' capital accounts.

9. Subsequent Events

In July 1996, management elected to discontinue the operations of the Los Angeles office of R/GA Interactive, Inc. A charge of $17,865, primarily related to severance, was recorded during 1996 to recognize the costs associated with the discontinuance. Net losses for the division for the first six months of 1996 were approximately $850,000 (unaudited).

In August 1996, management modified the terms of its earnout arrangement with the former stockholders of Cf2GS. The new terms guarantee annual minimum earnout payments of $983,400 in 1996, 1997 and 1998.

10. Subsequent Event--sale of Businesses

In October 1996, TNC agreed to sell the True North Units to TN Technologies Holding Inc. (formerly Modem Media Advertising Limited Partnership) for approximately 9% of TN Technologies Holding Inc.'s common stock.

R/ga Interactive, Inc.

FINANCIAL STATEMENTS AS OF DECEMBER 31, 1993 AND 1994 AND JUNE 30, 1995
TOGETHER WITH AUDITORS' REPORT

Report of Independent Public Accountants

To the Board of Directors of True North Communications Inc.:

We have audited the accompanying balance sheets of R/GA Interactive, Inc. (a New York corporation) as of December 31, 1993 and 1994 and June 30, 1995, and the related statements of operations and retained deficit and cash flows for the period from inception through December 31, 1993, the year ended December 31, 1994, and the six months ended June 30, 1995. These financial statements are the responsibility of the management of R/GA Interactive, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of R/GA Interactive, Inc. as of December 31, 1993 and 1994 and June 30, 1995, and the results of its operations and its cash flows for the period from inception through December 31, 1993, the year ended December 31, 1994, and the six months ended June 30, 1995, in conformity with generally accepted accounting principles.

Arthur Andersen Llp

Chicago, Illinois October 2, 1996

R/ga Interactive, Inc.

Balance Sheets

As of December 31, 1993 and 1994 and June 30, 1995

ASSETS	DECEMBER 31, 1993	DECEMBER 31, 1994	JUNE 30, 1995
CURRENT ASSETS:			
Accounts receivable	$ --	$ 25,649	$ 270,538
Accrued revenues	--	111,670	371,953
Prepaids expenses and other current assets	--	1,699	52
Total current assets	--	139,018	642,543

FURNITURE AND EQUIPMENT:			
Furniture and equipment	--	7,337	54,371
Less: Accumulated depreciation	--	(736)	(10,197)
Total furniture and equipment, net	--	6,601	44,174
Total assets	$ --	$ 145,619	$ 686,717

Liabilities and Stockholder's Equity

CURRENT LIABILITIES:			
Accounts payable	$ --	$ 16,418	$ 235,690
Advance billings	117,422	77,160	50,660
Accrued expenses	--	18,804	148,492
Accrued compensation	13,722	30,756	33,730
Other current liabilities	--	25,000	52,497
Total current liabilities	131,144	168,138	521,069
NONCURRENT LIABILITIES:			
Payable to related party	281,863	1,358,540	2,210,616
STOCKHOLDER'S EQUITY:			
Common stock, 200 shares authorized, 50 shares issued and outstanding	500	500	500
Retained deficit	(413,507)	(1,381,559)	(2,045,468)
Total stockholder's equity	(413,007)	(1,381,059)	(2,044,968)
Total liabilities and stockholder's equity	$ --	$ 145,619	$ 686,717

The accompanying notes to financial statements are an integral part of these balance sheets.

R/ga Interactive, Inc.

Statements of Operations and Retained Deficit

FOR THE PERIOD FROM INCEPTION THROUGH DECEMBER 31, 1993, THE YEAR ENDED DECEMBER 31, 1994, AND THE SIX MONTHS ENDED JUNE 30, 1995

	PERIOD FROM INCEPTION THROUGH DECEMBER 31, 1993	YEAR ENDED DECEMBER 31, 1994	SIX MONTHS ENDED JUNE 30, 1995
REVENUES	$ 99,411	$ 972,525	$ 1,383,340
OPERATING EXPENSES:			
Salaries and employee benefits expenses	299,918	870,997	681,373
Office and general expenses	213,000	1,069,580	1,365,876
Total operating expenses	512,918	1,940,577	2,047,249
LOSS BEFORE PROVISION FOR INCOME TAXES	(413,507)	(968,052)	(663,909)
PROVISION FOR INCOME TAXES	--	--	--
NET LOSS	(413,507)	(968,052)	(663,909)
RETAINED DEFICIT, beginning of period	--	(413,507)	(1,381,559)
RETAINED DEFICIT, end of period	$(413,507)	$(1,381,559)	$(2,045,468)

The accompanying notes to financial statements are an integral part of these statements.

R/ga Interactive, Inc.

Statements of Cash Flows

FOR THE PERIOD FROM INCEPTION THROUGH DECEMBER 31, 1993, THE YEAR ENDED DECEMBER 31, 1994, AND THE SIX MONTHS ENDED JUNE 30, 1995

	PERIOD FROM INCEPTION THROUGH DECEMBER 31, 1993	YEAR ENDED DECEMBER 31, 1994	SIX MONTHS ENDED JUNE 30, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(413,507)	$ (968,052)	$(663,909)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities--			
Depreciation	--	736	9,461
Changes in assets and liabilities--			
Accounts receivable	--	(25,649)	(244,889)
Accrued revenues	--	(111,670)	(260,283)
Prepaid expenses and other current assets	--	(1,699)	1,647
Accounts payable	--	16,418	219,272
Advance billings	117,422	(40,262)	(26,500)
Accrued expenses	--	18,804	129,688
Accrued compensation	13,722	17,034	2,974
Other current liabilities	--	25,000	27,497
Payable to related party	281,863	1,076,677	852,076
Net cash provided by (used in) operating activities	(500)	7,337	47,034
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of furniture and equipment	--	(7,337)	(47,034)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Common stock issuances	500	--	--
NET INCREASE (DECREASE) IN CASH	--	--	--
CASH, at beginning of period	--	--	--
CASH, at end of period	$ --	$ --	$ --

The accompany notes to financial statements are an integral part of these statements.

R/ga Interactive, Inc.

Notes to Financial Statements

December 31, 1993 and 1994 and June 30, 1995

1. Business and Significant Accounting Policies

Organization and Business

R/GA Interactive, Inc., a New York corporation ("R/GA Interactive" or the "Company"), was incorporated on July 14, 1993. Of the 200 shares of common stock (no par value) authorized, fifty shares were issued. All fifty shares were owned by Robert M. Greenberg.

The Company designs and creates interactive games and marketing applications for use through a variety of interactive media including the World Wide Web, information kiosks and CD-ROMs. The Company's primary locations are in New York and (prior to July 1996) Los Angeles.

R/GA Interactive has historically shared certain services with related parties. These services, provided by R/Greenberg Associates, include sharing of rent, accounting, financial and executive management and other services. Charges for these services were $117,000 and $413,058 for the period from inception through December 31, 1993 and the year ended December 31, 1994, respectively, and have been included in office and general expenses. Charges for these services were $667,500 for the six months ended June 30, 1995, of which $565,500 has been included in office and general expenses and $102,000 has been included in direct salaries and related expenses. Management believes that these charges have been allocated to the Company in a reasonable and consistent manner.

In the normal course of business, the Company purchases production and design services from a related party, R/GA Digital Studios, Inc. Services purchased totaled $187,459 and $184,337 for the year ended December 31, 1994, and the six months ended June 30, 1995, respectively. Management believes that services purchased from related parties are at reasonable prices.

The Company has incurred losses since its inception and has a retained deficit of $2,045,468 at June 30, 1995. The Company's operations are subject to certain risks and uncertainties including, among others, a limited operating history, substantial operating losses, rapidly changing technologies, current reliance on a limited number of customers and potential competitors with greater financial, technical and marketing resources.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant Customers

The Company had one advertising customer which accounted for approximately all revenue in the period from inception through December 31, 1993. The Company had four principal customers which accounted for approximately 35%, 25%, 11% and 10% of revenues for the year ended December 31, 1994. Significant customers in 1994 were engaged in the software development, advertising and telecommunications industries. The Company had two principal software development customers which accounted for approximately 68% and 13% of revenues for the six months ended June 30, 1995.

Depreciation

The Company depreciates its furniture, computer and office equipment on a straight line basis over estimated useful lives ranging from three to five years. The Company reviews its recorded fixed assets for

impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and provides currently for any indicated impairments.

Revenue Recognition

The Company's revenues are derived primarily from contracts to provide design and production services for its products. These contracts vary in length from less than one month to more than a year in duration. Revenue is recognized straight line over the estimated length of the project which approximates the percentage of completion method. Contract costs include all direct and indirect costs related to contract performance. Provisions for any estimated losses on uncompleted contracts are recognized in the period in which such losses are determinable.

Accrued revenues represent costs incurred and estimated earnings in excess of billings. Advance billings represent billings in excess of costs incurred and estimated earnings for services.

Income Taxes

Effective July 1, 1995, the Company was purchased by True North Communications Inc. As a result of certain change in control limitations, the realizability of future benefits does not meet the more likely than not criteria for recognition prescribed by Statement of Financial Accounting Standards No. 109. Accordingly, a valuation allowance of $941,938 has been recorded to fully reserve the tax benefit of the net operating loss carryforward.

2. Subsequent Events

Change in Control

On May 15, 1995, True North Communications Inc. purchased all outstanding stock of R/GA Interactive as well as the assets of certain other entities owned directly by Mr. Greenberg. The purchase became effective on July 1, 1995. The stock purchase was effected through the assumption of R/GA Interactive liabilities as of the effective date of the purchase.

Discontinued Operations

In July 1996, the Company discontinued the operations of the Los Angeles, California division of R/GA Interactive. A charge of $17,865, primarily related to severance, was recorded during 1996 to recognize the costs associated with the discontinuance. Net losses of the division for the first six months of 1996 were approximately $850,000 (unaudited).

Significant Customer

Subsequent to June 30, 1995, the Company substantially completed all contract work in progress for a significant customer which comprised 35% and 68% of revenues for the year ended December 31, 1994, and the six months ended June 30, 1995, respectively. No significant further contract work is in progress for this customer. Management believes that the current absence of further contract work with this customer will not have a material adverse effect on the operations of the Company.

Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc.

Financial Statements

As of December 31, 1993 and March 31, 1994 Together with Auditors' Report

Report of Independent Public Accountants

To the Board of Directors of True North Communications Inc.:

We have audited the accompanying balance sheets of Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc. (a Washington corporation) as of December 31, 1993 and March 31, 1994, and the related statements of loss and retained deficit and cash flows for the year ended December 31, 1993 and the three months ended March 31, 1994. These financial statements are the responsibility of the management of Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc.. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc. as of December 31, 1993 and March 31, 1994, and the results of its operations and its cash flows for the year ended December 31, 1993 and the three months ended March 31, 1994, in conformity with generally accepted accounting principles.

Arthur Andersen Llp

Chicago, Illinois September 23, 1996

Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc.

Balance Sheets

As of December 31, 1993 and March 31, 1994

December 31, March 31, Assets	*1993*	*1994*
CURRENT ASSETS:		
Cash	$ 22,946	$ 145,609
Accounts receivable, net of reserve for doubtful accounts of $102,998 in 1993 and $87,710 in 1994	1,140,715	805,370
Accrued revenues	106,612	137,806
Prepaid expenses and other current assets	16,805	35,313
Total current assets	1,287,078	1,124,098
PROPERTY AND EQUIPMENT:		
Computers and software	312,105	314,832
Leasehold improvements, furniture, and other	303,494	300,808
Total property and equipment	615,599	615,640
Less Accumulated depreciation and amortization	(317,165)	(335,309)
Total property and equipment, net	298,434	280,331
Total assets	$1,585,512	$1,404,429

Liabilities and Stockholders' Equity

CURRENT LIABILITIES:		
Short-term borrowings	$ 400,000	$ 150,000
Notes payable to stockholders	332,379	108,379
Current portion of long-term debt	46,901	47,294
Accounts payable	200,653	559,712
Advance billings	392,895	440,968
Other current liabilities	34,869	64,666
Total current liabilities	1,407,697	1,371,019
NONCURRENT LIABILITIES:		
Long-term debt	145,588	133,613
STOCKHOLDERS' EQUITY:		
Common stock, 6,250 shares authorized, issued and outstanding	162,000	162,000
Retained deficit	(129,773)	(262,203)
Total stockholders' equity	32,227	(100,203)
Total liabilities and stockholders' equity	$1,585,512	$1,404,429

The accompanying notes to financial statements are an integral part of these balance sheets.

Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc.

Statements of Loss and Retained Deficit

For the Year Ended December 31, 1993 and the Three Months Ended March 31, 1994

	THREE MONTHS YEAR ENDED ENDED DEC. 31, 1993	MARCH 31, 1994
REVENUES	$3,348,653	$ 705,441
OPERATING EXPENSES:		
Salaries, outside services and employee benefits expenses	2,124,982	524,885
Office and general expenses	1,259,722	302,627
Total operating expenses	3,384,704	827,512
OPERATING LOSS	(36,051)	(122,071)
Interest expense	(28,472)	(11,006)
Other income, net	10,846	647
NET LOSS	(53,677)	(132,430)
RETAINED DEFICIT, beginning of period	(76,096)	(129,773)
RETAINED DEFICIT, end of period	$ (129,773)	$(262,203)

The accompanying notes to financial statements are an integral part of these statements.

Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc.

Statements of Cash Flows

For the Year Ended December 31, 1993 and the Three Months Ended March 31, 1994

	THREE MONTHS YEAR ENDED ENDED DEC. 31, 1993	MARCH 31, 1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(53,677)	$(132,430)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities--		
Depreciation and amortization	137,454	20,196
Gain (loss) on sale of equipment	(4,019)	38,708
Changes in assets and liabilities--		
Accounts receivable	415,186	335,345
Accrued revenues	(106,612)	(31,194)
Prepaid expenses and other current assets	35,037	(18,508)
Accounts payable	10,187	359,059
Advance billings	(641,709)	48,073
Other current liabilities	16,995	29,797
Net cash provided by (used in) operating activities	(191,158)	649,046
CASH FLOWS FROM INVESTING ACTIVITIES:		

Purchase of property and equipment	(111,065)	(40,801)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments of short-term borrowings	(50,000)	(250,000)
Repayment of notes to stockholders	--	(224,000)
Additions to notes to stockholders	229,221	--
Repayments of long-term debt	(39,147)	(11,582)
Additions to long-term debt	144,930	--
Net cash provided by (used in) financing activities	285,004	(485,582)
NET INCREASE (DECREASE) IN CASH	(17,219)	122,663
CASH, beginning of period	40,165	22,946
CASH, end of period	$ 22,946	$ 145,609
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 26,705	$ 9,016

The accompanying notes to financial statements are an integral part of these statements.

Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc.

Notes to Financial Statements

December 31, 1993 and March 31, 1994

1. Business and Significant Accounting Policies

Description of Business

Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc., a Washington corporation ("Cf2GS" or the "Company"), is an advertising firm which provides direct mail, media, database and general advertising services. The Company earns the majority of its revenues from direct mail services.

Significant Customers

One customer accounted for approximately 73% and 71% of the Company's net revenues for the periods ended December 31, 1993 and March 31, 1994, respectively.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

Revenue Recognition

Revenue represents fees for advertising services rendered as well as commissions on media and production costs. The Company recognizes revenue for fees as they are earned based principally on labor costs incurred. This method approximates the percentage-of-completion method. Commissions on media and production costs are recognized as revenue when billed. Advance billings represent billings in excess of costs incurred and estimated earnings for advertising services. Accrued revenues represent costs incurred and estimated earnings in excess of billings. Revenue is reported net of reimbursable costs. Losses on customer work are recognized when known.

Property and Equipment

Depreciation is provided on both straight-line and accelerated methods over the estimated useful lives of furniture and equipment. Significant external software costs are capitalized and amortized over five years. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the life of the lease. The Company reviews its recorded fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and provides currently for any indicated impairment.

Income Taxes

For the periods ended December 31, 1993 and March 31, 1994, the stockholders of the Company elected S Corporation status for federal income tax purposes. Accordingly, taxable income or loss of the Company has been included with that of its stockholders and the operating results for the periods ended December 31, 1993 and March 31, 1994, do not include a provision or benefit for federal income taxes.

2. Lease Commitments

The Company leases office space, vehicles and equipment under operating leases expiring in various years through 2000. The total rent expense related to these operating leases totaled $262,265 and $42,126 for the year ended December 31, 1993 and the three months ended March 31, 1994, respectively.

Minimum future lease payments under noncancelable operating leases as of March 31, 1994, were as follows:

1994	$ 116,088
1995	248,081
1996	306,645
1997	252,576
1998-2000	234,699
	$1,158,089

3. Retirement Benefit Pan

The Company maintains a profit sharing plan with a 401(k) feature for the benefit of eligible employees. The Company makes matching contributions equal to 25% of employee deferrals up to 6% of an employee's salary. Matching contributions of $5,403 and $2,786 were made in the periods ended December 31, 1993 and March 31, 1994, respectively. Though the Company has not elected to do so in the periods being reported, additional profit sharing contributions may be made at the discretion of the Company's Board of Directors.

4. Short-term Borrowings and Long-term Debt

Short-term borrowings represent a line of credit to finance working capital needs. The line of credit had an interest rate of prime plus 1% and a term of one year. Average borrowings under the line of credit were $103,000 and $96,000 for the year ended December 31, 1993 and the three months ended March 31, 1994, respectively. The average interest rate under the line credit was 7.0% for each of the year ended December 31, 1993 and the three months ended March 31, 1994. Total unused borrowings under the line of credit was $300,000 and $50,000 as of December 31, 1993 and March 31, 1994, respectively.

Long-term debt consists of the following obligations:

Dec. 31, 1993 Mar. 31, 1994

Term note--Seafirst Bank	$120,000	$112,500
Loans for leasehold improvements	72,489	68,407
	192,489	180,907
Less--Current portion	46,901	47,294
	$145,588	$133,613

The term note was incurred for the purchase of equipment and is payable in monthly installments of $2,500 plus interest at prime plus 1.5%.

The loans for leasehold improvements relate to improvements in the Seattle and Portland facilities in 1993 and 1991, respectively. The loans are payable in monthly installments of $905 at 8% interest and $1,017 at 12% interest.

5. Notes Payable to Stockholders

The notes payable to stockholders represent interest bearing notes, due on demand, to two stockholders to finance operating cash flow needs as follows:

Dec. 31, 1993 Mar. 31, 1994

Promissory Notes, due on demand, interest at 7%	$224,000	$ --
Capital notes, due on demand, interest at 8%	108,379	108,379
	$332,379	$108,379

Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc.

Notes to Financial Statements--(concluded)

6. Subsequent Event

Effective April 1, 1994, the Company became a wholly-owned subsidiary of True North Communications Inc. ("True North"). True North paid $275,000 for all of the outstanding common stock and assumed all borrowings, debt and capital notes totaling $439,286. The Company is required to make earnout payments to the former stockholders based on a percentage of revenue through 1998. In August 1996, True North management modified the terms of its earnout arrangement with the former stockholders of Cf2GS. The new terms guarantee annual minimum earnout payments of $983,400 in 1996, 1997 and 1998.

Part Ii

Information Not Required in Prospectus

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by the Registrant in connection with the sale of Class A Common Stock being registered. All amounts are estimates except the SEC registration fee, the NASD filing fee and the Nasdaq National Market listing fee.

AMOUNT TO BE PAID

SEC registration fee	$9,091
NASD filing fee	3,500
Nasdaq National Market listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Directors' and officers' liability insurance	*
Blue Sky qualification fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous fees	*
Total	$ *

* To be supplied by amendment.

Item 14. Indemnification of Directors and Officers

Article Thirteenth of the Registrant's Certificate of Incorporation (Exhibit 3.1 hereto) and Article VI of the Registrant's Bylaws (Exhibit 3.2 hereto) provide for mandatory indemnification of its directors and officers, and permissible indemnification of employees and other agents, to the maximum extent permitted by the Delaware General Corporation Law. In addition, the Registrant intends to enter into Indemnification Agreements (Exhibit 10.14 hereto) with its officers and directors. Reference is also made to Section 10 of the Underwriting Agreement contained in Exhibit 1.1 hereto, which provides for the indemnification of officers and directors of the Registrant against certain liabilities.

Exhibit Document Number

Form of Underwriting Agreement	1.1
Certificate of Incorporation	3.1
Bylaws	3.2
Form of Indemnification Agreement to be entered into by the Registrant with each of its directors and officers	10.13

Item 15. Recent Sales of Unregistered Securities

From the Registrant's inception through October 22, 1996, the Registrant has issued and sold or has agreed to issue and sell, subject to certain conditions, the following securities:

(1) In October 1996, the Registrant entered into an agreement to issue 3,039,785 shares of its Class A Common Stock to the limited partners of Modem Media Advertising Limited Partnership ("Modem Media") and the stockholders of Modem Media, Inc., the general partner of Modem Media, in exchange for certain limited and general partnership interests in Modem Media and all of the capital stock of Modem Media Inc.

(2) In October 1996, the Registrant entered into an agreement to issue 2,969,741 shares of its Class A Common Stock to True North Communications Inc. ("True North") in exchange for certain limited and general partnership interests in Modem Media.

(3) In October 1996, the Registrant entered into an agreement to issue 4,596,800 shares of its Class B Common Stock to True North in connection with the transfer and assignment to the Registrant of substantially all of the assets and properties of True North's existing digital marketing communications business and shares of the Registrant's Class A Common Stock in exchange for the assumption by the Registrant of certain liabilities of True North relating to such business and the issuance of such shares of Class B Common Stock.

The issuances of the securities described above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of such Act as transactions by an issuer not involving any public offering. Appropriate legends were affixed to the share certificates issued in such transactions. All recipients had adequate access, through their relationships with the Registrant, to information about the Registrant.

Item 16. Exhibits and Financial Statement Schedules

(a) EXHIBITS

Exhibit No. Description

1.1* Form of Underwriting Agreement. 2.1* Acquisition Agreement dated as of October 10, 1996 among Registrant, True North Communications Inc. and Douglas C. Alhers, Robert C. Allen, II, Gerald M. O'Connell and Kraft Enterprises LTD. 3.1* Certificate of Incorporation of Registrant. 3.2* Bylaws of Registrant. 4.1* Form of Registrant's Class A Common Stock Certificate. 5.1* Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation, regarding legality of the securities being issued. 10.1* Reorganization Agreement dated as of October 10, 1996 among Registrant, True North Communications Inc. and Douglas C. Ahlers, Robert C. Allen, II, Gerald M. O'Connell and Kraft Enterprises LTD. 10.2* Administrative Services Agreement between the Registrant and True North Communications Inc. 10.3* Space Sharing Agreement between the Registrant and certain affiliates of

True North Communications Inc. 10.4* Intercompany Credit Agreement between the Registrant and True North Communications Inc. 10.5* Intellectual Property Agreement between the Registrant and True North Communications Inc. 10.6* Tax Matters Agreement between the Registrant and True North Communications Inc. 10.7 Lease between Lennar Northeast Partners Limited Partnership and Modem Media Advertising Limited Partnership dated June 1995. 10.8* Form of Employment Agreement between Registrant and each of Gerald M. O'Connell, Douglas C. Ahlers and Robert C. Allen, II.

Exhibit No. Description

10.9* Form of Covenant Not to Compete or Solicit Business Between the Registrant and each of Gerald M. O'Connell, Douglas C. Ahlers and Robert C. Allen, II. 10.10* Form of Employment Agreement between Registrant and Michael F. Bogacki. 10.11* Form of Employment Allocation Agreement among Registrant, True North Communications Inc. and Robert M. Greenberg. 10.12* Form of Employment Allocation Agreement among Registrant, True North Communications Inc. and Gregory W. Blaine. 10.13 Form of Indemnification Agreement. 10.14* 1996 Stock Option Plan. 10.15* 1996 Employee Stock Purchase Plan. 11.1* Statement re computation of per share earnings. 21.1 List of subsidiaries. 23.1* Consent of Wilson Sonsini Goodrich & Rosati, Professional Corporation (included in Exhibit 5.1). 23.2 Consent of Arthur Andersen LLP, Independent Public Accountants (see page II-6). 24.1 Power of Attorney (included on page II-4). 27.1 June 30, 1996 Financial Data Schedule. 27.2 December 31, 1995 Financial Data Schedule.

* To be filed by amendment.

(b) FINANCIAL STATEMENT SCHEDULES Not applicable.

Item 17. Undertakings

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been

settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Signatures

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT HAS DULY CAUSED THIS REGISTRATION STATEMENT ON FORM S-1 TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF WESTPORT, STATE OF CONNECTICUT, ON THIS 30TH DAY OF OCTOBER 1996.

TN Technologies Holding Inc.

/s/ Gregory W. Blaine By:_____ Gregory W. Blaine Chairman of the Board and Chief Executive Officer KNOW ALL PERSONS BY THESE PRESENTS, THAT EACH PERSON WHOSE SIGNATURE APPEARS BELOW CONSTITUTES AND APPOINTS GREGORY W. BLAINE, GERALD M. O'CONNELL AND MICHAEL F. BOGACKI, AND EACH OF THEM SINGLY, AS TRUE AND LAWFUL ATTORNEYS-IN- FACT AND AGENTS WITH FULL POWER OF SUBSTITUTION AND RESUBSTITUTION, FOR HIM AND IN HIS NAME, PLACE AND STEAD, IN ANY AND ALL CAPACITIES TO SIGN THE REGISTRATION STATEMENT FILED HEREWITH AND ANY OR ALL AMENDMENTS TO SAID REGISTRATION STATEMENT (INCLUDING POST-EFFECTIVE AMENDMENTS AND REGISTRATION STATEMENTS FILED PURSUANT TO RULE 462 AND OTHERWISE), AND TO FILE THE SAME, WITH ALL EXHIBITS THERETO AND OTHER DOCUMENTS IN CONNECTION THEREWITH, WITH THE SECURITIES AND EXCHANGE COMMISSION GRANTING UNTO SAID ATTORNEYS-IN-FACT AND AGENTS THE FULL POWER AND AUTHORITY TO DO AND PERFORM EACH AND EVERY ACT AND THING REQUISITE AND NECESSARY TO BE DONE IN AND ABOUT THE FOREGOING, AS FULL TO ALL INTENTS AND PURPOSES AS HE OR SHE MIGHT OR COULD DO IN PERSON, HEREBY RATIFYING AND CONFIRMING ALL THAT SAID ATTORNEYS-IN-FACT AND AGENTS OR ANY OF THEM, OR HIS SUBSTITUTE, MAY LAWFULLY DO OR CAUSE TO BE DONE BY VIRTUE HEREOF.

Witness Our Hands on the Date Set Forth Below.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED:

Signature Title Date

/s/ Gregory W. Blaine Gregory W. Blaine	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	October 30, 1996
/s/ Gerald M. O'Connell Gerald M. O'Connell	President, Chief Operating Officer and Director	October 30, 1996
/s/ Michael F. Bogacki Michael F. Bogacki	Executive Vice President, Chief Financial Officer and Director (Principal Financial and Accounting Officer)	October 30, 1996

/s/ Robert M. Greenberg Director October 30, 1996 Robert M. Greenberg

Signature Title Date

/s/ Douglas C. Ahlers Douglas C. Ahlers	Director	October 30, 1996
/s/ Robert C. Allen, II Robert C. Allen, II	Director	October 30, 1996

/s/ Martin F. Reidy Director October 30, 1996 Martin F. Reidy /s/ Mitchell T. Engel Director October 30, 1996 Mitchell T. Engel /s/ Bruce Mason Director October 30, 1996 Bruce Mason

Exhibit 23.2

Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the use of our reports, as listed below, and to all references to our Firm included in or made a part of this Registration Statement.

a. Report dated September 23, 1996 (except with respect to the matters discussed in Note 7, to which the date is October 23, 1996) for Modem Media Advertising Limited Partnership as of December 31, 1994 and 1995 and the related statements of income, partners' capital and cash flows for each of the three years in the period ended December 31, 1995, b. Report dated September 30, 1996 (except with respect to the matter discussed in Note 10, to which the date is October 21, 1996) for the Combined True North Units, consisting of the businesses described in Note 1 to the combined financial

statements, as of December 31, 1994 and 1995 and the related statements of income (loss) and retained earnings (deficit) and cash flows for the years then ended, c. Report dated October 2, 1996 for R/GA Interactive, Inc. as of December 31, 1993 and 1994 and June 30, 1995, and the related statements of operations and retained deficit and cash flows for the period from inception through December 31, 1993, the year ended December 31, 1994, and the six months ended June 30, 1995, and d. Report dated September 23, 1996 for Christiansen, Fritsch, Giersdorf, Grant & Sperry, Inc. as of December 31, 1993 and March 31, 1994 and the related statements of loss and retained deficit and cash flows for the year ended December 31, 1993 and the three months ended March 31, 1994.

Arthur Andersen Llp

Chicago, Illinois October 29, 1996

Exhibit Index

Exhibit No. Description

1.1* Form of Underwriting Agreement. 2.1* Acquisition Agreement dated as of October 10, 1996 among Registrant, True North Communications Inc. and Douglas C. Alhers, Robert C. Allen, II, Gerald M. O'Connell and Kraft Enterprises LTD. 3.1* Certificate of Incorporation of Registrant. 3.2* Bylaws of Registrant. 4.1* Form of Registrant's Class A Common Stock Certificate. 5.1* Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation, regarding legality of the securities being issued. 10.1* Reorganization Agreement dated as of October 10, 1996 among Registrant, True North Communications Inc. and Douglas C. Ahlers, Robert C. Allen, II, Gerald M. O'Connell and Kraft Enterprises LTD. 10.2* Administrative Services Agreement between the Registrant and True North Communications Inc. 10.3* Space Sharing Agreement between the Registrant and certain affiliates of True North Communications Inc. 10.4* Intercompany Credit Agreement between the Registrant and True North Communications Inc. 10.5* Intellectual Property Agreement between the Registrant and True North Communications Inc. 10.6* Tax Matters Agreement between the Registrant and True North Communications Inc. 10.7 Lease between Lennar Northeast Partners Limited Partnership and Modem Media Advertising Limited Partnership dated June 1995. 10.8* Form of Employment Agreement between Registrant and each of Gerald M. O'Connell, Douglas C. Ahlers and Robert C. Allen, II. 10.9* Form of Covenant Not to Compete or Solicit Business Between the Registrant and each of Gerald M. O'Connell, Douglas C. Ahlers and Robert C. Allen, II. 10.10* Form of Employment Agreement between Registrant and Michael F. Bogacki. 10.11* Form of Employment Allocation Agreement among Registrant, True North Communications Inc. and Robert M. Greenberg. 10.12* Form of Employment Allocation Agreement among Registrant, True North Communications Inc. and Gregory W. Blaine. 10.13 Form of Indemnification Agreement. 10.14* 1996 Stock Option Plan. 10.15* 1996 Employee Stock Purchase Plan. 11.1* Statement re computation of per share earnings. 21.1 List of subsidiaries. 23.1* Consent of Wilson Sonsini Goodrich & Rosati, Professional Corporation

(included in Exhibit 5.1). 23.2 Consent of Arthur Andersen LLP, Independent Public Accountants (see page II-6). 24.1 Power of Attorney (included on page II-4). 27.1 June 30, 1996 Financial Data Schedule. 27.2 December 31, 1995 Financial Data Schedule.

*To be filed by amendment.

Inside Front Cover Page of Prospectus. On this page will be paragraphs which read as follows with a picture above each paragraph depicting the description in the paragraph:

The Company is a leader in digital interactive marketing, having developed over 500 of such marketing programs since 1987. Through its operating divisions, the Company combines its core competencies in strategic marketing (Modem Media, Northern Lights Interactive and Cf2GS), technology development (Relationship Technology Group) and digital design and production (R/GA Interactive) to deliver comprehensive solutions which address its clients' digital interactive marketing and communications needs.

In 1995, Modem Media planned and executed the award-winning zima.com Web site for Coors Brewing Company.

Modem Media has completed award-winning international Web sites and Internet advertising campaigns for AT&T, including these promoting AT&T's sponsorship of the 1996 Centennial Olympic Games.

Modem Media has developed interactive marketing programs to enable Delta Air Lines to advertise and transact with customers via the Delta Air Lines Web site.

Northern Lights Interactive and RG/A Interactive have planned and executed numerous interactive communications assignments for Levi Strauss, including Levi's Web sites, levis.com and dockers.com.

Inside Back Cover Page of Prospectus. On this page will be paragraphs which read as follows with a picture above each paragraph depicting the description in the paragraph:

Cf2GS provides strategic marketing and integrated advertising services for Royal Caribbean Cruises Ltd.

The Company provides digital interactive marketing services to companies that are impacting or being impacted by the emerging digital network infrastructure, in industries such as health care and financial services.

The Company develops and operates digital marketing communications solutions to established companies including MyPartner, an AT&T sales force communications solution, as well as a corporate intranet for S.C. Johnson, containing advanced multimedia features.

The Company has a six-year relationship with JC Penney, assisting JC Penney in developing, testing and introducing electronic commerce vehicles on a wide variety of digital communications platforms, including the Internet.

2 </Text>