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COMPANY CONFORMED NAME: CASSIDY COMPANIES INC

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STANDARD INDUSTRIAL CLASSIFICATION: []

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STATE OF INCORPORATION: DE

FISCAL YEAR END: 1231

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STATE: DC

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 21, 1998

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

THE CASSIDY COMPANIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>

<p><S></p> <p>DELAWARE</p> <p>(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER INCORPORATION OR ORGANIZATION) IDENTIFICATION NUMBER)</p>	<p><C></p> <p>8743</p>	<p><C></p> <p>52-1021749</p> <p>(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)</p>
--	------------------------------	--

</TABLE>

700 THIRTEENTH STREET, N.W., SUITE 400
WASHINGTON, DC 20005
(202) 347-0787
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

LESTER G. FANT III, ESQ.
GENERAL COUNSEL
THE CASSIDY COMPANIES, INC.
700 THIRTEENTH STREET, N.W., SUITE 1160
WASHINGTON, DC 20005
TEL: (202) 824-6050
FAX: (202) 824-6010

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

Copies to:

<TABLE>

<S>

<C>

STEVEN E. BALLEW, ESQ.
HOGAN & HARTSON L.L.P.
555 THIRTEENTH STREET, N.W.

HOWARD B. ADLER, ESQ.
GIBSON, DUNN & CRUTCHER LLP
1050 CONNECTICUT AVENUE, N.

W.

WASHINGTON, DC 20004
TEL: (202) 637-5600
FAX: (202) 637-5910

WASHINGTON, DC 20036
TEL: (202) 955-8500
FAX: (202) 467-0539

</TABLE>

APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC: As soon as practicable
after this Registration Statement becomes effective.

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, as amended (the 'Securities Act'), 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, 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 this Form is a post-effective amendment filed pursuant to Rule 462(d)
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, check the following box. //

CALCULATION OF REGISTRATION FEE

<TABLE>

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TITLE OF EACH CLASS AGGREGATE AMOUNT OF OF SECURITIES TO BE REGISTERED PRICE(1)	AMOUNT OF REGISTRATION FEE	PROPOSED MAXIMUM OFFERING AMOUNT TO BE REGISTERED(1)	PROPOSED PRICE PER SHARE(2)	MAXIMUM OFFERING
<S>	<C>	<C>	<C>	<C>
Common Stock, par value \$0.01 per share.....		\$	\$46,000,000	\$13,570
Total.....		\$	\$	

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(1) Includes _____ shares with a proposed maximum aggregate offering price of \$ _____ being offered by one of the two Selling Stockholders and _____ shares with a proposed maximum aggregate offering price of \$6,000,000 being offered by the other Selling Stockholder only upon exercise of the over-allotment option granted to the Underwriters by that Selling Stockholder.

(2) Estimated solely for purposes of calculating the registration fee.

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, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

<PAGE>

SUBJECT TO COMPLETION, DATED JULY 21, 1998

PROSPECTUS

SHARES

THE CASSIDY COMPANIES, INC.

COMMON STOCK

Of the _____ shares of common stock, \$0.01 par value per share (the 'Common Stock'), offered hereby (the 'Offering'), _____ shares are being offered by The Cassidy Companies, Inc. ('CCI' or the 'Company') and _____ shares are being offered by the Company's Employee Stock Ownership Plan and Trust (the 'ESOP'). The net proceeds received by the ESOP will be used to pay the outstanding balance of certain indebtedness owed by the ESOP and the Company (the 'ESOP Debt'), the accrued interest thereon and a prepayment charge. See 'Use of Proceeds' and 'Principal and Selling Stockholders.'

Prior to the Offering, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price will be between \$ _____ and \$ _____ per share. See 'Underwriting' for a discussion of the factors to be considered in determining the initial public offering price.

The Company has applied for quotation of the Common Stock on the Nasdaq National Market System under the symbol 'CSDY.'

SEE 'RISK FACTORS' ON PAGES 8 THROUGH 14 FOR INFORMATION THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS.

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.

<TABLE>
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	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)		PROCEEDS TO PROCEEDS TO COMPANY(2)		SELLING STOCKHOLDERS
<S>	<C>	<C>	<C>	<C>	<C>	
Per Share.....	\$	\$	\$	\$	\$	
Total(3).....	\$	\$	\$	\$	\$	

</TABLE>

- (1) The Company and the two selling stockholders, the ESOP and the Chairman and Chief Executive Officer of the Company (the 'Selling Stockholders'), have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See 'Underwriting.'
- (2) Before deducting expenses payable by the Company estimated at \$.
- (3) One of the Selling Stockholders, the Chairman and Chief Executive Officer of the Company, has granted to the Underwriters an option exercisable within 30 days of the date hereof, to purchase up to an aggregate of additional shares of the Common Stock, solely to cover over-allotments, if any. If the Underwriters exercise such options in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to the Selling Stockholders will be \$, \$ and \$, respectively. See 'Principal and Selling Stockholders' and 'Underwriting.'

The shares of Common Stock are offered by the Underwriters, subject to prior sale, when, as and if delivered to and accepted by them, and subject to the right of the Underwriters to reject any order in whole or in part. It is expected that delivery of the shares of Common Stock will be made against payment therefor at the office of Friedman, Billings, Ramsey & Co., Inc., Arlington, Virginia, or in book entry form through the book entry facilities of the Depository Trust Company, on or about , 1998.

FRIEDMAN, BILLINGS, RAMSEY & CO., INC.

THE DATE OF THIS PROSPECTUS IS , 1998

<PAGE>

[PICTURE OF WASHINGTON, D.C. INCLUDING CERTAIN
MONUMENTS AND PROFESSIONALS AT WORK]

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING OVER-ALLOTMENT, STABILIZING TRANSACTIONS, SYNDICATE SHORT COVERING TRANSACTIONS AND PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE 'UNDERWRITING.'

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PROSPECTUS SUMMARY

The following summary is qualified by, and should be read in conjunction with, the more detailed information and consolidated financial statements and notes thereto appearing elsewhere in this Prospectus. This Prospectus contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed in the forward-looking statements as a result of certain factors, including those set forth under 'Risk Factors' and elsewhere in this Prospectus. Prospective investors should carefully consider the factors set forth under the caption 'Risk Factors' and are urged to read this Prospectus in its entirety. Except as otherwise noted, all information in this Prospectus (i) reflects the completion of a reclassification of the Company's currently outstanding three classes of common stock into the single class of the Common Stock offered hereby which will become effective in connection with the closing of the Offering, a stock split and an increase in the number of authorized shares of capital stock (See 'The Recapitalization') and (ii) assumes no exercise of options granted under the Company's 1998 Stock Option and Incentive Plan.

THE COMPANY

The Company, founded in 1975, is a leading provider of government relations services, public affairs communications and opinion research services. The Company formulates and implements comprehensive and often integrated government relations and public affairs communication strategies designed to achieve its clients' objectives by communicating and advocating its clients' positions before key government decision-makers on specific public policy matters. The successful outcome of the Company's engagements often will have a material

impact on its clients' businesses and prospects. The Company's government relations practice, comprised of Cassidy and Associates and Boland & Madigan (the 'Government Relations Group'), recorded revenues in 1997 greater than any other company providing government relations services, according to a report in the Legal Times, and provides clients with expert representation and advocacy in the legislative and regulatory process. The Company's public affairs communication and opinion research practice, which is comprised of Powell Tate, Frederick Schneiders Research and Bork & Associates (the 'Public Affairs and Opinion Research Group'), provides expert strategy and implementation in public affairs and crisis communications, opinion research and litigation support services to the Company's client base. The Company also offers its clients in-depth industry expertise in specific vertical markets, including the non-profit sector, insurance, telecommunications, technology, defense, agriculture, transportation, international trade, energy resources, health care and infrastructure, as well as an integrated approach to government related business problems and opportunities by drawing upon the strengths of both the Government Relations Group and the Public Affairs and Opinion Research Group. The Company's growth strategy is to increase its market share by attracting and retaining high quality professionals and by pursuing strategic acquisitions of complementary businesses with established reputations, clients and revenues.

The market for the Company's services is growing. As Congress deals with an increasing number of issues, the number of people and institutions affected by government decisions also grows, creating more conflicts over policy among groups with competing interests. As a result, the demand for experienced government relations professionals who can guide clients through the policy-making process has increased. According to a May 1998 report in the Legal Times, the number of registered lobbyists is approximately 11,500 representing approximately 9,000 registered clients. According to an Associated Press report in March 1998, lobbying is now a \$1.2 billion a year business.

In its 23-year history, CCI has represented over 1,100 clients, including 24 of the Fortune 50 corporations; coalitions and associations; public and private utilities; universities and colleges; financial institutions; health care providers; state, city and county governments; international businesses; foreign governments and other entities. The Company's revenues and income from operations have increased from \$36.5 million and \$1.5 million in the 1996 fiscal year to \$41.0 million and \$6.0 million in the 1997 fiscal year, representing an annual growth rate of 12.6% and 300.0%, respectively. The Company's revenues and income from operations have increased from \$19.4 million and \$2.3 million in the first six months of 1997, to \$22.2 million and \$2.8 million in the first six months of 1998, representing an increase of 14.4% and 21.7%, respectively. For each of the last three full fiscal years, over 60.0% of the Company's revenues came from clients who had been clients in the preceding year. No single client accounted for more than 5% of the Company's revenues in 1997 or in the

<PAGE>

first six months of 1998. In 1997 and in the first six months of 1998, the 10 largest clients contributed 22% and 18% of CCI's overall revenues, respectively.

The Company's revenues are generated primarily from contracts with one of two different payment arrangements. The Government Relations Group, the Company's largest business unit, uses written retainer contracts, usually for periods of greater than 12 months, the fees for which are payable monthly or quarterly in advance. The revenues of the Public Affairs and Opinion Research Group are derived primarily from time and materials reimbursement contracts. The Company does not provide services for contingent fees. As of June 30, 1998, the Company had \$26.8 million of future revenues under existing retainer contracts to become due as follows: \$12.0 million during the period beginning July 1, 1998 and ending December 31, 1998, \$10.5 million in 1999 and \$3.1 million in 2000. Revenues to become due under existing retainer contracts after December 31, 2000 are \$1.2 million.

Because the quality of the Company's services depends on the quality of the senior professionals who deliver those services, the Company is highly selective in recruiting for these positions. Full-time professionals and consultants are selected from among the most highly respected individuals with recognized expertise in their chosen fields of endeavor. As of June 30, 1998, CCI employed 73 full-time senior professionals engaged in client services. Numerous professionals in the Company hold advanced degrees, including 23 masters degrees, 17 law degrees and two doctorates. These professionals had together approximately 400 years of experience working for Congress or the Executive Branch. Many of these professionals are nationally recognized as experts in their respective fields, having backgrounds in a wide range of disciplines, including former members of Congress, key staffers on Capitol Hill and former senior political appointees in the Executive Branch. The Company's full-time professionals are complemented by the services of 14 senior consultants, who provide expert advice on government relations initiatives and public policy issues, and 23 marketing consultants, who assist the Company in its new business development activities. See 'Business--Services--The Government Relations Group-- Business Development Program.'

The Company was incorporated in the District of Columbia in 1975, and in 1991 changed its name from G. Cassidy & Associates, Inc. to its present name and was reincorporated in Delaware. Its executive offices are located at 700 Thirteenth Street, N.W., Suite 400, Washington, D.C. 20005 and its phone number is (202) 347-0787.

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THE OFFERING

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Common Stock Offered by the Company..... shares.

Common Stock Offered by the ESOP..... shares.

Common Stock Outstanding (1)

Prior to the Offering..... 8,910,840

After the Offering.....

Use of Proceeds by the Company..... It is expected that approximately \$2.0 million will be used to repay lines of credit and the remainder for future acquisitions.

Use of Proceeds by the ESOP..... To pay the outstanding balance, accrued interest and a prepayment charge on the ESOP Debt, in the approximate amount of \$13.2 million, to the Company, which will then repay a consortium of lenders led by AEGON USA, Inc. (the 'ESOP Lender'). See note 5 to the Company's consolidated financial statements.

Proposed Nasdaq Symbol..... CSDY

Dividend Policy..... The Company does not anticipate paying dividends in the foreseeable future.

</TABLE>

(1) Gives effect to the Recapitalization (as defined herein), but does not include 1,900,000 shares of the Common Stock reserved for issuance in connection with the Company's 1998 Stock Option and Incentive Plan (the 'Plan'), of which options for shares of the Common Stock will be granted prior to the closing of the Offering. See 'Management--Compensation Plans--1998 Stock Option and Incentive Plan.' Additionally, the number of shares of Common Stock outstanding includes 1,253,055 unallocated shares of Common Stock held of record by the ESOP not reflected as outstanding for earnings per share or presentation purposes in the historical financial statements in accordance with generally accepted accounting principles, and excludes 72,390 shares of Common Stock held by the Company as treasury shares as of June 30, 1998.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following table sets forth selected summary consolidated financial data of the Company as of and for each of the five years in the period ended December 31, 1997 and the six months ended June 30, 1997 and 1998. The income statement and balance sheet data for the five years ended December 31, 1997 have been derived from the Company's consolidated financial statements, which were audited by Ernst & Young LLP, independent public accountants, for each of the three years ended December 31, 1997 and by Arthur Andersen & Co. L.L.P., independent public accountants, for each of the two years ended December 31, 1994. The

income statement data for the six months ended June 30, 1997 and 1998 are unaudited, but include, in the opinion of management, all adjustments considered necessary for a fair presentation of such data. Operating results for interim periods are not necessarily indicative of the results that may be achieved for the entire fiscal year. The 'as adjusted' balance sheet data as of June 30, 1998 are as described in note (3) below. The information set forth below should be read in conjunction with 'Management's Discussion and Analysis of Financial Condition and Results of Operations' and the Company's consolidated financial statements and notes thereto included elsewhere in this Prospectus.

<TABLE>
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	SIX MONTHS ENDED JUNE 30,			YEAR ENDED DECEMBER 31,			
	1998	1997	1997	1996	1995	1994	1993
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE AMOUNTS)							
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INCOME STATEMENT DATA:							
Revenues:							
Government relations group.....	\$ 13,539	\$ 12,207	\$ 26,384	\$ 23,007	\$ 23,891	\$ 23,741	\$ 21,522
Public affairs and opinion research group....	8,624	7,157	14,661	13,450	12,383	11,706	9,571
Total revenues.....	22,163	19,364	41,045	36,457	36,274	35,447	31,093
Non-stock employee compensation:							
Government relations group.....	6,543	6,022	12,105	11,789	12,071	13,447	10,179
Public affairs and opinion research group....	5,343	4,384	8,924	8,376	7,141	6,548	5,241
Total non-stock employee compensation.....	11,886	10,406	21,029	20,165	19,212	19,995	15,420
Consulting expense.....	1,268	1,252	2,851	3,122	3,211	3,457	3,472
General and administrative expense.....	5,039	4,470	9,248	9,095	9,031	8,983	8,001
ESOP stock compensation expense.....	1,139	936	1,878	1,218	1,195	2,333	1,141
Compensation element of common stock and option issuances.....	0	0	1,313	1,276	11,997	1,772	
Total Operating Expenses.....	19,332	17,064	35,006	34,913	33,925	46,765	29,806
Income (loss) from operations.....	2,831	2,300	6,039	1,544	2,349	(11,318)	1,287
Equity in losses of affiliates.....	0	0	0	0	(238)	23	(664)
ESOP-related interest expense.....	(529)	(691)	(1,294)	(1,655)	(1,837)	(1,671)	(426)
Other interest income (expense).....	(189)	(172)	(328)	(121)	(82)	78	55
Income (loss) from continuing operations before							

income taxes (1).....	2,113	1,437	4,417	(232)	(192)	(12,888)	252
Income tax (provision) benefit.....	(431)	(359)	(1,094)	(17)	(1,298)	1,792	(575)

Income (loss) from continuing operations.....	1,682	1,078	3,323	(249)	(1,106)	(11,096)	(323)
Discontinued operations, net of income taxes... 447	(2,548)	(1,133)	(2,610)	(1,525)	(1,238)	780	

Net income (loss).....	\$ (866)	\$ (55)	\$ 713	\$ (1,774)	\$ (2,344)	\$ (10,316)	\$ 124

Earnings per common share(2):							
Income (loss) from continuing operations.....	\$ 0.22	\$ 0.16	\$ 0.51	\$ (0.04)	\$ (0.25)	\$ (2.93)	\$ (0.06)
Discontinued operations.....	(0.34)	(0.17)	(0.40)	(0.28)	(0.27)	0.21	0.09

Net income (loss) per common share.....	\$ (0.12)	\$ (0.01)	\$ 0.11	\$ (0.32)	\$ (0.52)	\$ (2.72)	\$ 0.03

Weighted average common shares (in thousands)(2).....							
	7,525	6,489	6,534	5,503	4,490	3,787	4,773

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JUNE 30, 1998

ACTUAL AS ADJUSTED (3)

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BALANCE SHEET DATA:

Cash and cash equivalents.....	\$ 737
Total current assets.....	11,875
Total current liabilities.....	17,684

</TABLE>

(Footnotes on next page)

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(1) The Company reflects the release of unallocated shares as security for the ESOP Debt as ESOP stock compensation expense, which occurs when principal is

paid on such indebtedness. Excluding this expense, the related interest expense on the ESOP Debt and the compensation expense related to certain employee stock options, income (loss) from continuing operations before income taxes for 1997, 1996, 1995, 1994, and 1993, would have been (in thousands) \$7,588, \$3,954, \$4,500, \$3,113, and \$2,739, respectively, and income (loss) from operations for the six months ended June 30, 1998 and June 30, 1997, would have been \$3,781, and \$3,063, respectively. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview.' After the closing of the Offering, the Company expects to make no further contributions to the ESOP. Consequently, there are expected to be no additional expense charges related to the ESOP subsequent to the quarter in which the Offering closes. In the quarter in which the Offering closes, however, the Company will incur a one-time significant charge to earnings as a result of the sale by the ESOP of shares of Common Stock in the Offering. If the price of the Common Stock in the Offering is \$, the charge against earnings relating to the sale of stock by the ESOP would be \$. In addition, the Company will incur a one-time charge to earnings in the quarter in which the Offering closes of approximately \$ in connection with the establishment of a deferred stock compensation plan (the 'Deferred Plan') for its employees who previously had been issued shares of, and options to acquire shares of, Restricted Class B Common Stock (as defined herein). See 'Other Significant Recent Actions,' 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview' and 'Management--Compensation Plans--Deferred Stock Compensation Plan.'

- (2) Gives effect to the Recapitalization. See 'The Recapitalization.'
- (3) Adjusted to reflect the sale by the Company of shares of the Common Stock offered hereby at the assumed initial public offering price of \$ per share, after deduction of underwriting discounts and commissions and estimated offering expenses and the application of the estimated net proceeds therefrom. See 'Use of Proceeds' and 'Capitalization.'

RISK FACTORS

The shares of the Common Stock offered hereby involve a high degree of risk. Prospective investors should consider carefully all the information contained in this Prospectus (including the consolidated financial statements and notes thereto) prior to purchasing the Common Stock in the Offering and in particular the factors set forth below under '--Risks Related to the Company,' and '--Risks Related to the Offering.' Prospective investors are cautioned that the statements in this Prospectus that are not historical facts may be forward-looking in nature, and, accordingly, whether they prove to be accurate

is subject to many risks and uncertainties. The actual results that the Company achieves may differ materially from any forward-looking statements in this Prospectus. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and those contained elsewhere in this Prospectus.

RISKS RELATED TO THE COMPANY

Dependence on Key Persons

The Company is a holding company which delivers services through its two operating groups, the Government Relations Group and the Public Affairs and Opinion Research Group. The business success of each of these operating groups is highly dependent upon the efforts, abilities, business generation capabilities and project execution of their senior professionals and managers. The loss of the services of any of these individuals could have a material adverse effect on the affected group's business, operating results and financial condition and an adverse effect on the Company's results as a whole. In particular, the loss of one or more senior professionals of Cassidy & Associates ('C&A'), part of the Government Relations Group and the oldest, largest and most profitable of the Company's operating units, could have a material adverse effect on the Company's business, operating results and financial condition as a whole.

Attraction and Retention of Professional Staff

The Company's future performance depends significantly upon its ability to retain its professional staff members and to attract and develop other such persons. The Company, in particular the Government Relations Group, seeks to establish long-term relationships with its clients. Such relationships depend in part upon the individual employees who represent the Company in its dealing with such clients. Further, the largest operating units of the Company have historically sought individuals who have distinguished themselves in senior staff positions in Congress or the Executive Branch. There are a limited number of such persons and an increasing number of entities offering government relations services that compete for these individuals. Many of these organizations have greater financial resources than the Company to attract and compensate qualified personnel. There can be no assurance that losses of key personnel to competitors or otherwise will not occur in the future. There can also be no assurance that the Company will be able to attract and retain sufficient numbers of additional highly skilled professional staff. The loss of the services of a significant number of these persons or the failure to attract needed new personnel would have a material adverse effect on the Company's business, operating results and financial condition, including its ability to secure and complete engagements.

Risks Related to Acquisitions

The Company believes that the acquisition of complementary businesses will provide it with additional professionals, new service offerings, additional industry expertise and a broader client base. The Company has adopted an acquisition strategy to take advantage of these opportunities by focusing on successfully operating companies that practice in the areas of the Company's core competencies or in certain vertical markets, such as health care, environment and tax, which are sufficiently related to the Company's existing markets to enable the generation of cross-selling opportunities. There can be no assurance that the Company will be able to identify compatible acquisition candidates or negotiate an acquisition on terms favorable or even acceptable to the Company. Further, there can be no assurance that the Company will be able to integrate successfully acquired businesses without substantial expense, delays or other operations or financial problems. The failure to integrate an acquisition smoothly into the cross-selling activities of all of the Company's operational units could have a material adverse impact on the Company's growth strategies, operating results and financial condition.

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In February 1997, the Company ceased the operations of Strategic Response ('SR'), one of its operating units, and, in June 1998, decided to divest the New York division of Powell Tate ('PTNY') as well as Pickholz Tweedy Cowan ('PTC'). Both SR and PTC had previously been acquired by the Company. SR was a grass-roots lobbying firm, which mobilized citizens to express their opinions on various issues to their Congressional representatives. This business unit was discontinued because it was unable to recover from the poor performance of an outside vendor, despite repeated efforts of the Company.

PTNY and PTC, the two business units to be divested, are also not engaged in operations within the Company's core competencies. PTNY is a public relations firm located in New York, which has a different client base and produces a different type of work product than the Company's Washington, D.C.-oriented public affairs communications practice. PTC is a direct marketing business. The Company expects these divestitures to be completed within the next twelve months.

The Company's decisions with respect to these entities resulted in charges to the Company's earnings and highlight the risks associated with the Company's growth and acquisition strategies. It is possible that unsuccessful future acquisitions or growth strategies could have a material adverse effect on the Company's business, operating results and financial condition. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview.' The Company's experiences with these three business units has caused it to reemphasize a growth strategy of expansion within its basic

core competencies. See 'Business-- Growth Strategies--Pursue Strategic Acquisitions.'

Acquisitions may also involve a number of risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances and legal liabilities. Client satisfaction or performance problems at a single acquired firm could have a material adverse impact on the reputation of the Company as a whole. Further, there can be no assurance that the Company's recent or future acquired businesses will generate anticipated revenues or earnings.

The Company's ability to grow through the acquisition of additional companies will also be dependent upon the availability of capital to complete such acquisitions. The Company intends to finance acquisitions through a combination of the proceeds of the Offering, its available cash resources, bank borrowings and, in appropriate circumstances, the further issuance of equity and/or debt securities. Acquiring additional companies will have a significant effect on the Company's financial position and could cause substantial fluctuations in the Company's quarterly and yearly operating results and one or more unsuccessful acquisitions could cause material operating losses. Also, acquisitions of the size currently being contemplated by the Company will result in the recording of significant goodwill and intangible assets on the Company's consolidated financial statements, the amortization of which will reduce reported earnings in subsequent years.

Reputation

The reputation of the Company and its professionals for competence and integrity is key to the Company's continued success. This reputation is largely dependent on favorable public perception and the favorable perception of important policy makers of the Company. The Company has a rigorous regulatory compliance and ethics program, by which it seeks to ensure that its professional reputation and the reputation of its professionals are maintained. See 'Business--Regulation--The Company's Compliance Program.' There are factors largely beyond the control of the Company, however, that could affect how it is viewed. For example, adverse media publicity could impact perceptions of the Company's competence or integrity. To the extent that such adverse perceptions become widely held, the Company's ability to assist effectively its clients and to attract and retain clients could be compromised, which could have a material adverse effect on the Company's business, operating results and financial condition.

Dependence on Retainer Contracts

For the years ended December 31, 1995, 1996 and 1997, over 70% of the Government Relations Group's revenues and over 45% of the Company's total

revenues came from clients of the Government Relations Group on retainer contracts who were also clients of that group during the previous year. Accordingly, the Company's prospects depend on the Government Relations Group's ability to continue to enter into multi-year engagements and to sustain a high level of renewal of such engagements. There can be no assurance that the Company will be

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able to continue to attract clients that will enter into multi-year engagements and to renew such engagements at the end of their terms. Any failure to do so would have a material adverse effect on the Company's business, operating results and financial condition.

Fluctuations in Operating Results

The Company's revenues and operating results are subject to variation from quarter to quarter depending on a number of factors, including client retention rates, the Congressional schedule, the closing of significant contracts and general economic conditions. Because a significant portion of the Company's expenses are relatively fixed, variations in revenues during any quarter may cause significant variations in operating results from quarter to quarter. The first quarter will typically be the quarter with the least revenue for the Government Relations Group, with each subsequent quarter generally having more revenue than the previous quarter because the renewal dates for the Government Relations Group's retainer contracts are heavily weighted in the fourth quarter. While recurring revenue between years from clients who have retainer contracts exceeded 70% in each of the last three fiscal years, the impact of those clients that do not renew their contracts often causes revenue to be less in the first quarter than revenue in the fourth quarter of the preceding year. The revenues of the Public Affairs and Opinion Research Group will fluctuate depending on the demands for the group's services.

The Company is typically retained to communicate and advocate with regard to appropriations and business-related matters. In 1996, there was a reduced Congressional agenda resulting from the Federal Government 'shutdown' arising out of the dispute between Congress and the Executive Branch over the fiscal year 1996 budget. In addition, the Congressional agenda was heavily weighted toward social issues, which, for the most part, did not financially impact the Company's clients. During this period, demand for the Government Relations Group's services decreased and revenues from the group declined 3.7% from \$23.9 million to \$23.0 million. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Year Ended December 31, 1996 Compared to Year Ended December 31, 1995--Revenues.' It is possible that in one or more future periods, Congress may again have a reduced agenda or may not be focused on issues that are considered to be priorities by the Company's clients, which

could have a negative impact on the Company's revenues.

Competition

The market for government relations and public affairs and opinion research services is intensely competitive, highly fragmented and subject to rapid change as the policies and politics of Washington, D.C. change. The Government Relations Group competes with (i) law firms which have government relations capacities, (ii) independent firms which offer one or more of the services offered by the Company, (iii) smaller firms that have created a specialized niche in the marketplace, (iv) start-up companies entering the market, (v) industry and trade associations with in-house capabilities and (vi) subsidiaries of large corporations which offer one or more of the services offered by the Company. The Public Affairs and Opinion Research Group faces competition primarily from the Washington, D.C. offices of large international advertising and public relations firms, often headquartered outside the United States. Many competitors of the Company are larger and have greater financial resources than the Company. There can be no assurance that the Company will compete successfully with its existing competitors or with any new competitors. See 'Business--Competition.'

Regulatory Compliance; Regulations

The Company is subject to the Lobbying Disclosure Act of 1995, as amended (the 'Disclosure Act'), because of its government relations activities, and to the Foreign Agents Registration Act of 1938, as amended ('FARA'), because of those activities as well as its public relations activities on behalf of foreign clients. The Company is also subject to the Federal Election Campaign Act (the 'Campaign Act'). Both the Disclosure Act and FARA impose certain registration, disclosure and reporting requirements on the Company and some of its professionals. Failure to make a filing under the Disclosure Act, to correct a deficient filing after notice thereof or to otherwise not comply with the Disclosure Act could result in a civil fine of up to \$50,000 per incident. Failure to comply with FARA could result in fines of up to \$10,000 and imprisonment of up to five years. In addition, the Campaign Act limits political contributions to candidates for Federal office. The rules of the House of Representatives and the United States Senate, and the Standards of Ethical Conduct for Employees of the Executive Branch and certain provisions of Federal criminal law (collectively, the 'Ethical Requirements') limit

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the providing of travel, lodging, gifts, meals and entertainment to Members of Congress, and certain employees of the legislative and executive branches. The Company and its employees must comply with the Ethical Requirements. Failure by the Company and its professionals to comply with the Disclosure Act, FARA, the

Campaign Act, the Ethical Requirements or any other legal or regulatory requirements imposed from time to time on the Company, could lead to adverse publicity, fine, prosecution, and have a material adverse impact on the Company's business, operating results and financial condition. See 'Business--Regulation.'

Control by Existing Stockholders; Potential Anti-Takeover Provisions

After completion of the Offering, the directors and executive officers of the Company will beneficially own in the aggregate approximately % of the outstanding Common Stock. In the event the Underwriters' over-allotment option is exercised in full, those persons will own in the aggregate approximately % of the outstanding Common Stock. An additional % will be held in the ESOP. Such persons, excluding the ESOP, if they act together, are expected to be the largest group of Company stockholders, and, as such, will have a significant impact on the election of the Company's directors and on the implementation of business strategies. In addition, such concentration of ownership may have the effect of delaying or preventing transactions involving an actual or potential change in control of the Company, including transactions in which the holders of the Common Stock might receive a premium for their Common Stock over prevailing market prices. See 'Principal and Selling Stockholders' and 'Description of Securities.'

Certain provisions of the Company's amended and restated certificate of incorporation (the 'Certificate of Incorporation'), the amended and restated bylaws (the 'Bylaws') and of Delaware law could delay or make more difficult a merger, tender offer or proxy contest involving the Company. These include Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years from the date the person became an interested stockholder unless certain conditions are met. The Certificate of Incorporation authorizes the issuance of 5.0 million shares of preferred stock, par value \$1.00 per share ('Preferred Stock'), on terms which may be fixed by the Company's board of directors (the 'Board of Directors') without further stockholder action and which could, under certain circumstances, be used as a means of discouraging, delaying or preventing a change in control of the Company. The terms of any series of Preferred Stock, which may include, among other things, priority claims to assets and dividends and special voting rights, could adversely affect the rights of holders of the Common Stock. The Company has no present plans to issue shares of Preferred Stock. In addition, the Certificate of Incorporation and Bylaws provide for a Board of Directors with staggered terms, eliminate the right of stockholders to act by written consent without a meeting unless such written consent is unanimous, or to call a special meeting of stockholders, require advanced stockholder notice to nominate directors and raise matters at the annual stockholders' meeting, do not provide for cumulative voting in the election of directors, authorize the removal of

directors only for cause by the affirmative vote of the holders of at least a majority of the outstanding shares of capital stock, limit amendments to the Certificate of Incorporation to items that have been first proposed by the Board of Directors and thereafter approved by the affirmative vote of the holders of at least a majority (and in certain cases a supermajority) of the outstanding shares of capital stock and require the vote of at least a majority of the outstanding shares of capital stock for stockholders to amend the Bylaws. All of the foregoing could have the effect of delaying, deferring or preventing a change in control of the Company and could limit the price that certain investors might be willing to pay in the future for shares of the Common Stock. See 'Description of Securities.'

Holding Company Structure and Restrictions on Payment of Dividends

CCI is a holding company with limited assets of its own and conducts all of its business through its two operating groups. The ability of CCI to pay dividends on the Common Stock will be dependent upon either the cash flows and earnings of the operating subsidiaries which make up the Government Relations Group and the Public Affairs and Opinion Research Group and the payments of funds by the subsidiaries to CCI in the form of repayment of loans, dividends or otherwise or CCI's ability to otherwise realize the economic benefits from its equity interests in its subsidiaries. The operating subsidiaries have no obligation, contingent or otherwise, to pay dividends to CCI. The ability of the operating subsidiaries to make payments to CCI will be subject to, among

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other things, the availability of funds, as well as various business considerations and legal requirements. See 'Dividend Policy.'

No Intention To Pay Dividends

CCI does not anticipate paying dividends in the foreseeable future. As of June 30, 1998, no significant amounts were available in the subsidiaries of CCI to pay dividends to the Company. See 'Dividend Policy.'

RISKS RELATED TO THE OFFERING

Immediate and Substantial Dilution

The initial public offering price is substantially higher than the net tangible book value of the Company's outstanding Common Stock at June 30, 1998, giving effect to the Recapitalization. Purchasers of shares of the Common Stock in the Offering will therefore experience immediate and substantial dilution in net tangible book value per share, and existing stockholders will receive a material increase in the tangible book value per share of their shares of the

Common Stock, giving effect to the Recapitalization. Assuming an initial public offering price of \$ per share, the immediate dilution to new investors would be \$ per share. See 'Dilution.'

Unspecified Acquisitions; Broad Discretion Over Use of Proceeds

The Company intends to use the net proceeds from the Offering to finance acquisitions. Until the Company utilizes the net proceeds of the Offering, such funds will be invested in investment grade securities. Although the Company currently has no agreements or understandings to enter into any potential business acquisition, it does intend to seek and investigate such opportunities actively as they become available. Future events, including changes in competitive conditions, the ability of the Company to identify appropriate acquisition candidates, the availability of other financing and funds generated from operations and the status of the Company's business from time to time, may make changes in the allocation of the net proceeds of the Offering necessary or desirable. See 'Use of Proceeds.'

Use of Proceeds to Benefit Insiders

The Company intends to use net proceeds to repay approximately \$2.0 million of an outstanding line of credit which has been personally guaranteed by Gerald S. J. Cassidy, Chairman and Chief Executive Officer of the Company.

The ESOP intends to use net proceeds to repay the ESOP Debt, accrued interest thereon and a pre-payment charge. The ESOP Debt has, in certain limited circumstances, been guaranteed by Gerald S. J. Cassidy, James P. Fabiani, Vice Chairman of the Company and Joseph L. Powell, a director of the Company.

Deferred Stock Compensation Plan; Options

In connection with the Offering and pursuant to the Deferred Plan, the Company has agreed with certain holders of its class B common stock, par value \$0.01 per share (the 'Class B Common Stock'), which are subject to significant transfer restrictions and forfeiture provisions (the 'Restricted Class B Common Stock'), to accept the surrender of the Restricted Class B Common Stock and to transfer to stockholders surrendering their Restricted Class B Common Stock unrestricted shares of Common Stock by no later than the fifth anniversary of the date of such surrender. See 'Management--Compensation Plans--Deferred Stock Compensation Plan' for a description of the Deferred Plan and the rights of certain executive officers of the Company therein. In connection with the Deferred Plan, the Company expects to issue an aggregate of 3,600,000 shares of the Common Stock to the grantor trust established pursuant to the Deferred Plan.

The Company has 1,900,000 shares of the Common Stock reserved for issuance under the Plan, under which options to purchase shares will be granted.

Holders of such options are likely to exercise them when the Company could obtain additional capital on terms more favorable than those provided by the options. Further, while options are outstanding, the Company's ability to obtain additional financing on favorable terms may be

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adversely affected. The options outstanding immediately after the Offering will represent on a fully diluted basis % of the outstanding shares of the Common Stock. See 'Management--Compensation Plans--1998 Stock Option and Incentive Plan.'

Additionally, the Company has agreed, as part of its past acquisition of several operating units, to issue shares of Common Stock based on the future net income of the acquired companies. See 'Certain Transactions.'

Potential Decrease in the Market Pricing of the Common Stock Resulting from Future Sale

Sales of a substantial number of shares of the Common Stock in the public market, whether by purchasers in the Offering or other stockholders of the Company, could adversely affect the prevailing market price of the Common Stock, and could impair the Company's future ability to raise capital through an offering of its equity securities. Upon completion of the Offering and giving effect to the Recapitalization, the Company will have shares of the Common Stock outstanding, including shares of the Common Stock offered hereby. The shares of Common Stock offered hereby will be freely tradable without restriction or further registration under the Securities Act by persons other than 'affiliates' of the Company within the meaning of Rule 144 promulgated under the Securities Act ('Rule 144').

In general, under Rule 144, a person (or persons whose shares are required to be aggregated) who has been deemed to have beneficially owned 'restricted securities' under Rule 144 for at least one year, including an 'affiliate,' is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of 1% of the then outstanding number of shares of common stock or the average weekly trading volume in the shares of common stock during the four calendar weeks preceding the filing of the required notice of such sale. Sales under Rule 144 are also subject to certain requirements regarding the manner of sale, notice and the availability of current public information about the Company. A person (or persons whose shares are required to be aggregated) who is not deemed to have been an affiliate of the Company during the three months preceding a sale, and who has beneficially owned shares within the definition of 'restricted securities' under Rule 144 for at least two years is entitled to sell such shares under Rule 144(k) without regard to the volume limitation, manner of sale provisions, notice requirements or public information

requirements of Rule 144. Affiliates continue to be subject to such limitations.

The Company's directors and executive officers and existing stockholders own in the aggregate _____ shares of the Common Stock, giving effect to the Recapitalization, which may be eligible for sale under Rule 144. Such persons may also be eligible in the future to receive shares of Common Stock currently reserved under the Plan, the Deferred Plan and the ESOP. See 'Management--Compensation Plans--1998 Stock Option and Incentive Plan,' '--Deferred Stock Compensation Plan' and '--Employee Stock Option Plan.' The directors, executive officers and the ESOP, who own in the aggregate _____ shares of the Common Stock, giving effect to the Recapitalization, have agreed with the Underwriters, however, that they will not, for a twelve month period after the completion of the Offering, without the prior written consent of the Representative of the Underwriters, offer, sell, contract to sell, or otherwise dispose of, any shares of the Common Stock or any securities convertible into, or exchangeable for, shares of the Common Stock. See 'Underwriting' and 'Shares Eligible for Future Sales.'

No Public Market for the Securities

Prior to the Offering, there has not been any public market for the Company's capital stock. Although the Company intends to seek quotation of the shares of the Common Stock on the Nasdaq National Market System, there can be no assurance that the Company will be successful in its efforts, and even if the Company is successful, there can be no assurance that an active trading market will develop or be sustained after the Offering.

Arbitrary Determination of Offering Price; Possible Volatility of Stock Price

The initial public offering price of the Common Stock will be determined by negotiation among the Company, the Selling Stockholders and the Underwriters and will not necessarily be related to the Company's asset value, net worth, results of operations or any other criteria of value and may not be indicative of the prices of the Common Stock that may prevail in the public market after the Offering. Subsequent to the Offering, prices for the Common Stock will be determined by the market and may be influenced by a number of factors, including

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the depth and liquidity of the market for the Common Stock, investor perception of the Company and other comparable companies and general economic and other conditions. In addition, the stock market has experienced significant price and volume fluctuations that have affected the market price of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of the Common Stock may decline even if the Company's operating results or prospects have not changed.

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THE RECAPITALIZATION

The Company currently has three classes of common stock issued and outstanding, each having different rights and preferences. In order to facilitate the Offering, the Board of Directors as well as the stockholders, voting separately by class, have approved the following transactions: (i) a 180-for-1 reverse stock split of the class A common stock (the 'Reverse Stock Split'), (ii) the reclassification of the Company's three outstanding classes of common stock into a single class of Common Stock (the 'Reclassification') and (iii) a 15-for-1 forward stock split of the Common Stock (the 'Stock Split') and an increase of the authorized shares of capital stock to 55,000,000 (the 'Authorized Share Increase'). The Reclassification, the Reverse Stock Split, the Stock Split and the Authorized Share Increase are referred to herein as the 'Recapitalization' Giving effect to the Recapitalization, the 28,350 shares of class A common stock, 5,500,635 shares of class B common stock and 3,381,855 shares of class C common stock currently issued and outstanding would be converted into 8,910,840 shares of Common Stock. See 'Description of Capital Stock.'

OTHER SIGNIFICANT RECENT ACTIONS

As explained in more detail in this Prospectus, the Company has taken or will take three other actions, other than the Recapitalization, which have had or will have a significant impact on its financial statements. First, it has ceased to operate one business and is divesting two other businesses outside its core competencies. This decision resulted in a \$2.5 million charge in the second quarter of 1998. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview' and 'Risk Factors--Risks Related to the Company--Risks Related to Acquisitions.'

In connection with the Offering and pursuant to the Deferred Plan, the Company has agreed with holders of the Restricted Class B Common Stock to accept the surrender of their Restricted Class B Common Stock and to transfer to stockholders surrendering their Restricted Class B Common Stock unrestricted shares of Common Stock by no later than the fifth anniversary of the date of such surrender. See 'Management--Compensation Plans--Deferred Stock Compensation Plan' for a description of the Deferred Plan and the rights of certain executive officers of the Company therein. In connection with the Deferred Plan, the Company expects to issue an aggregate of 3,600,000 shares of the Common Stock to the grantor trust established pursuant to the Deferred Plan. In accordance with generally accepted accounting principals, at the time of the issuance of interests in the Deferred Plan to the former holders of the Restricted Class B Common Stock, the Company will recognize a charge to earnings for the fair

market value of the interests in the Deferred Plan as of the date the Deferred Plan is established. This act will occur in connection with the consummation of the Offering, and the estimated charge to earnings related to the establishment of the Deferred Plan is expected to be \$ million. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview.'

It is also anticipated that in the quarter in which the Offering is completed, the Company will recognize a significant charge against income related to the ESOP. The ESOP trustee is offering for sale shares of the Common Stock, with the intent of using the proceeds to repay the ESOP Debt. The proceeds will be paid to the Company which will then pay the ESOP Lender. Once the ESOP Debt has been repaid, the unallocated ESOP shares remaining after the sale will be released as security for the ESOP Debt and then allocated to ESOP participants. The fair market value of shares released to ESOP participants is charged to ESOP stock compensation expense. If the price of the Common Stock in the Offering is \$, the charge to earnings related to the sale of shares of Common Stock in the Offering by the ESOP will be \$ million. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview.'

Additionally, the Company's Board of Directors has authorized another action which is not expected to have a significant impact on the Company's financial statements. The board has authorized the officers of the Company to prepare and submit to the board for approval a plan to distribute the Company's (i) 43% ownership interest in Galway Partners, L.L.C., which engages in merchant banking, investment banking and related financial services, and (ii) 2.25% interest in Columbia Partners, L.L.C., Investment Management, an investment management firm to its stockholders before the consummation of the Offering. At June 30, 1998, the Company carried its investment in Galway Partners, L.L.C. at a zero balance. See note 8 to the Company's consolidated financial statements.

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USE OF PROCEEDS

Assuming an offering price of \$ per share of the Common Stock, the net proceeds from the sale of the Common Stock are expected to be approximately \$ million (after deducting the underwriting discounts and expenses of the Offering payable by the Company). Of the net proceeds to the Company, approximately \$2.0 million is expected to be used to repay lines of credit and the remainder for future acquisitions. Pending such uses, the net proceeds are expected to be invested in investment grade, interest-bearing securities. Although the Company currently has no agreements or understandings to make any acquisition, it intends to actively seek and investigate such opportunities as they become available.

The foregoing represents the Company's best estimate of the allocation of the net proceeds of the Offering that it will receive based on the current status of its business. Future events, including changes in competitive conditions, the ability of the Company to identify appropriate acquisition candidates, the availability of other financing and funds generated from operations and the status of the Company's business from time to time, may make changes in the allocation of the net proceeds of the Offering necessary or desirable.

Of the net proceeds to the ESOP, approximately \$13.2 million will be used to pay the remaining principal balance, accrued interest and a pre-payment charge on the ESOP Debt. The ESOP will pay such amount to the Company which will then repay the ESOP lender. See note 12 to the Company's consolidated financial statements.

DIVIDEND POLICY

The Company does not anticipate paying dividends in the foreseeable future. Future dividends, if any, will be subject to the discretion of the Board of Directors and will depend upon, among other things, the results of operations, capital requirements, general financial condition, contractual restrictions and such other factors as the Board of Directors may deem relevant.

In addition, the Company is a holding company with no business operations of its own. Therefore, the ability of the Company to pay dividends will be dependent upon either the proceeds of the Offering and any earnings thereon and dividends, distributions and other payments of funds from its various operating subsidiaries. As of June 30, 1998, no significant amounts were available in the subsidiaries of CCI to pay dividends to the Company.

CAPITALIZATION

The following table sets forth, as of June 30, 1998, the capitalization of the Company and the capitalization of the Company as adjusted for the Offering at an initial public offering price of \$ per share of the Common Stock, including application of a portion of the net proceeds therefrom as set forth under 'Use of Proceeds.' This table should be read in conjunction with the consolidated financial statements of the Company, the notes thereto and the other financial data included elsewhere in this Prospectus.

<TABLE>
<CAPTION>

JUNE 30, 1998

ADJUSTED

HISTORICAL(1) AS ADJUSTED(2)

(IN THOUSANDS)

<S>	<C>	<C>	
Debt:			
Long-term debt.....	\$ 12,236		
Notes payable.....	5,650		
Stockholders' equity:			
Preferred Stock, \$1.00 par value, 5,000,000 shares authorized; no shares issued and outstanding.....	\$ 0	\$	
Common Stock, \$.01 par value, 50,000,000 shares authorized; 8,910,840 shares issued and outstanding; shares to be issued and outstanding (as adjusted)(2)(3).....	91		
Additional paid-in capital.....	26,910		
Retained earnings (Accumulated deficit).....	(24,932)		
Unearned ESOP shares.....	(10,108)		
Treasury shares.....	(758)		
	-----	-----	
Total debt and stockholders' equity.....	\$ 9,089	\$	
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</TABLE>

(Footnotes on next page)

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(1) Adjusted to give effect to the Recapitalization. See 'The Recapitalization.'

(2) Adjusted to reflect the sale by the Company of shares of the Common Stock offered hereby at the assumed initial public offering price of \$ per share, after deduction of underwriting discounts and commissions and estimated offering expenses and the application of the estimated net proceeds therefrom. See 'Use of Proceeds' and 'Capitalization.'

(3) Excludes 1,900,000 shares of the Common Stock reserved for issuance under the Plan, under which options to purchase shares will be outstanding as of the closing of the Offering. See 'Management-- Compensation Plans--1998 Stock Option and Incentive Plan' and 'Underwriting.' Additionally, the number of shares of Common Stock outstanding includes 1,253,055 unallocated shares of Common Stock held of record by the ESOP not reflected as outstanding for earnings per share or presentation purposes in the historical financial statements in accordance with generally accepted accounting principles and excludes 72,390 shares of Common Stock held by the Company as treasury shares at June 30, 1998.

DILUTION

Purchasers of the Common Stock offered hereby will experience an immediate and substantial dilution in the pro forma net tangible book value per share of the Common Stock from the initial public offering price. All of the following per share calculations give effect to the Recapitalization. The net tangible book value of the Company as of June 30, 1998 was \$, or approximately \$ per share of the Common Stock. Net tangible book value per share represents the amount of tangible assets of the Company less the amount of its liabilities divided by the number of shares of the Common Stock outstanding. After giving effect to the sale by the Company of shares of the Common Stock offered hereby at a price of \$ per share and the application of the estimated net proceeds therefrom as set forth under 'Use of Proceeds,' the pro forma net tangible book value of the Company as of June 30, 1998 would have been approximately \$, or \$ per share of the Common Stock. This represents an immediate increase in net tangible book value of \$ per share to the existing stockholders and an immediate dilution of \$ per share to persons purchasing shares of the Common Stock in the Offering. The following table illustrates this per share dilution:

<TABLE>

	<C>	<C>
Assumed initial public offering price per share of the Common Stock.....	\$	
Net tangible book value per share of the Common Stock at June 30, 1998.....		\$
Increase in net tangible book value per share of the Common Stock attributable to new investors.....	.	

Pro forma net tangible book value per share of the Common Stock after the Offering...		.

Dilution per share of the Common Stock to new investors.....	\$.

</TABLE>

The following table summarizes the difference between existing stockholders and new investors with respect to the number of shares of the Common Stock purchased from the Company, the total consideration paid to the Company and the average price paid per share of the Common Stock based on the initial public offering price of \$ per share in each case giving effect to the Recapitalization.

<TABLE>

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SHARES PURCHASED	TOTAL CONSIDERATION	AVERAGE PRICE
-----	-----	-----

Total revenues.....	22,163	19,364	41,045	36,457	36,274	35,447	31,093
Non-stock employee compensation:							
Government relations group.....	6,543	6,022	12,105	11,789	12,071	13,447	10,179
Public affairs and opinion research group....	5,343	4,384	8,924	8,376	7,141	6,548	5,241
Total non-stock employee compensation.....	11,886	10,406	21,029	20,165	19,212	19,995	15,420
Consulting expense.....	1,268	1,252	2,851	3,122	3,211	3,457	3,472
General and administrative expense.....	5,039	4,470	9,248	9,095	9,031	8,983	8,001
ESOP stock compensation expense.....	1,139	936	1,878	1,218	1,195	2,333	1,141
Compensation element of common stock and option							
issuances.....	0	0	0	1,313	1,276	11,997	1,772

Total operating expenses.....	19,332	17,064	35,006	34,913	33,925	46,765	29,806
Income (loss) from operations.....	2,831	2,300	6,039	1,544	2,349	(11,318)	1,287
Equity in losses of affiliates.....	0	0	0	0	(238)	23	(664)
ESOP-related interest expense.....	(529)	(691)	(1,294)	(1,655)	(1,837)	(1,671)	(426)
Other interest income (expense).....	(189)	(172)	(328)	(121)	(82)	78	55

Income (loss) from continuing operations before							
income taxes(1).....	2,113	1,437	4,417	(232)	(192)	(12,888)	252
Income tax (provision) benefit.....	(431)	(359)	(1,094)	(17)	(1,298)	1,792	(575)

Income (loss) from continuing operations.....	1,682	1,078	3,323	(249)	(1,106)	(11,096)	(323)
Discontinued operations, net of income taxes...	(2,548)	(1,133)	(2,610)	(1,525)	(1,238)	780	447

Net income (loss).....	\$ (866)	\$ (55)	\$ 713	\$(1,774)	\$(2,344)	\$(10,316)	\$ 124

Earnings per Common Share:(2)							
Income (loss) from continuing operations.....	\$ 0.22	\$ 0.16	\$ 0.51	\$(0.04)	\$(0.25)	\$(2.93)	\$(0.06)
Discontinued operations.....	(0.34)	(0.17)	(0.40)	(0.28)	(0.27)	0.21	0.09

Net income (loss) per common share.....	\$ (0.12)	\$ (0.01)	\$ 0.11	\$(0.32)	\$(0.52)	\$(2.72)	\$ 0.03

Weighted average common shares (in							
thousands)(2).....	7,525	6,489	6,534	5,503	4,490	3,787	4,773

</TABLE>

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<CAPTION>

JUNE 30, 1998

	ACTUAL	AS ADJUSTED (3)
	-----	-----
<S>	<C>	<C>
BALANCE SHEET DATA:		
Cash and cash equivalents.....		\$ 737
Total current assets.....	11,875	
Total current liabilities.....	17,684	
Total debt and stockholders' equity.....		\$ 9,089

</TABLE>

(Footnotes on next page)

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(1) The Company reflects the release of unallocated shares as security for the ESOP Debt as ESOP stock compensation expense, which occurs when principal is paid on such indebtedness. Excluding this expense, the related interest expense on the ESOP Debt and the compensation expense related to certain employee stock options, income (loss) from continuing operations before income taxes for 1997, 1996, 1995, 1994, and 1993, would have been (in thousands) \$7,588, \$3,954, \$4,500, \$3,113, and \$2,739, respectively, and income (loss) from operations for the six months ended June 30, 1998 and June 30, 1997, would have been (in thousands) \$3,781, and \$3,063, respectively. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview.' After the closing of the Offering, the Company expects to make no further contributions to the ESOP. Consequently, there are expected to be no additional expense charges related to the ESOP subsequent to the quarter in which the Offering closes. In the quarter in which the Offering closes, however, the Company will incur a one-time significant charge to earnings as a result of the sale by the ESOP of stock in the Offering. If the price of the Common Stock in the Offering is \$ _____, the charge against earnings relating to the sale of stock by the ESOP would be \$ _____. In addition, the Company will incur a one-time charge to earnings in the quarter in which the Offering closes of approximately \$ _____ in connection with the establishment of the Deferred Plan for its employees who previously had been issued shares of Restricted Class B Common Stock. See 'Other Significant Recent Actions,' 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview' and 'Management--Compensation Plans--Deferred Stock Compensation Plan.'

(2) Gives effect to the Recapitalization. See 'The Recapitalization.'

(3) Adjusted to reflect the sale by the Company of _____ shares of the Common Stock offered hereby at the assumed initial public offering price of _____

\$ per share, after deduction of underwriting discounts and commissions and estimated offering expenses and the application of the estimated net proceeds therefrom. See 'Use of Proceeds' and 'Capitalization.'

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

OVERVIEW

CCI, founded in 1975, is a leading provider of government relations services and a major provider of public affairs communication and opinion research services. The Company conducts its operations primarily through two operating groups, the Government Relations Group and the Public Affairs and Opinion Research Group. See 'Business--Services.'

The Company's revenues are generated primarily from contracts with one of two different payment arrangements: (i) written retainer contracts, usually for periods of greater than 12 months, payable monthly or quarterly in advance (utilized primarily by the Government Relations Group), and (ii) time and materials reimbursement contracts (utilized primarily by the Public Affairs and Opinion Research Group). For the years ended December 31, 1995, 1996 and 1997, revenues from the Government Relations Group were approximately 65.9%, 63.2% and 64.3%, respectively, of the Company's total revenues. For the same periods, revenues from the Public Affairs and Opinion Research Group were 34.1%, 36.8% and 35.7%, respectively, of the Company's total revenues. For the six months ended June 30, 1997, and 1998, revenues from the Government Relations Group were approximately 63.0% and 61.1%, respectively, of the Company's total revenues. For the same periods, revenues from the Public Affairs and Opinion Research Group were 37.0% and 38.9%, respectively, of total revenues. The retainer contracts of the Government Relations Group generally offer higher margins, but usually have a longer sales cycle (period of elapsed time between the initial contact with a potential client and signing a contract), than the typical time and materials reimbursement contracts because the client is making a more substantial financial commitment with the retainer contract. The Company does not provide services for contingent fees. As of June 30, 1998, the Company had \$26.8 million of future revenues under existing retainer contracts to become due as follows: \$12.0 million during the period beginning July 1, 1998 and ending December 31, 1998, \$10.5 million in 1999 and \$3.1 million in 2000. Revenues to become due under existing retainer contracts after December 31, 2000 are \$1.2 million.

The Company is a professional services firm, and, as a result, its most significant expenses consist primarily of compensation-related expenses to

employees and outside marketing consultants, and general and administrative expenses. The Government Relations Group makes extensive use of a network of outside marketing consultants for its business development activities. Such consultants generally receive a commission of up to 10% on the value of contracts that are signed as a result of leads that they generate, and certain consultants also receive a monthly retainer. Commissions due to the consultants are accrued at the time services are rendered to the client, but are paid at the end of the month in which the Company receives payment from the client. The major components of general and administrative expenses are occupancy costs such as rent and other general office expenses, payroll and property taxes, employee benefits and marketing expenses. General and administrative expenses as a percentage of revenues have decreased in recent years as a larger revenue base has absorbed those costs.

In 1989, the Company adopted the ESOP, a tax-qualified employee stock ownership plan for the benefit of current and former employees of the Company and its subsidiaries who satisfy certain requirements for participation. The assets of the ESOP are held in a trust of which Marine Midland Bank is presently trustee. The Company has indemnified Marine Midland Bank (and its employees and agents) against any loss that may arise from actions taken, or omitted to be taken, by Marine Midland Bank (or its employees or agents) as trustee, except to the extent that such loss is finally determined to have resulted from the gross negligence or willful misconduct of an indemnitee.

On October 2, 1989, the newly formed ESOP purchased 1,222,830 shares of the Company's outstanding stock at a price of \$12.27 per share, or \$15.0 million. A second ESOP transaction took place on March 9, 1994, when the ESOP purchased an additional 2,231,415 shares of the Company's outstanding stock at a price of \$8.07 per share, or \$18.0 million. Both ESOP transactions were financed by back-to-back loans pursuant to which the Company borrowed and then relented the necessary funds to the ESOP. The Company's indebtedness is reflected as a liability on the Company's financial statements, while the indebtedness of the ESOP to the Company is not shown as an asset. ESOP-related interest expense recognized by the Company for the years ended December 31,

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1995, 1996 and 1997 was \$1.8 million, \$1.7 million and \$1.3 million, respectively. ESOP-related interest expense recognized by the Company for the six months ended June 30, 1997 and 1998 was \$0.7 million and \$0.5 million, respectively.

The ESOP's debt to the Company is secured by unallocated shares of the Company's stock that were purchased by the ESOP. As the principal is paid on the ESOP Debt, the unallocated shares are released as security for the ESOP debt and then allocated to the participants in the ESOP. The fair market value of shares

released to participants is charged to ESOP stock compensation expense at the time the shares are released. The charge to earnings related to the release of unallocated ESOP shares for the years ended December 31, 1995, 1996 and 1997 was \$0.5 million, \$0.9 million and \$1.9 million, respectively. The charge to earnings related to the release of unallocated ESOP shares for the six months ended June 30, 1997 and 1998 was \$0.9 million and \$1.1 million, respectively.

It is anticipated that during the quarter in which the Offering is completed, the Company will recognize a significant charge against income related to the ESOP. In connection with the Offering and giving effect to the Recapitalization, the ESOP trustee intends to sell _____ shares of the Company's Common Stock owned by the ESOP with a proposed maximum aggregate offering price of \$ _____ and to use the proceeds to pay the ESOP Debt, accrued interest thereon and a pre-payment charge which total approximately \$13.2 million. The ESOP will pay such proceeds to the Company, which will then repay the ESOP lender. As explained above, once the ESOP Debt has been repaid with the proceeds from the Offering, _____ unallocated ESOP shares will be released as security for the ESOP Debt and then allocated to the participants in the ESOP. The fair market value of shares released to ESOP participants is charged to ESOP stock compensation expense. Assuming the price per share of the Common Stock in the Offering is \$ _____, the charge to earnings related to the sale by the ESOP of the Common Stock will be \$ _____ million.

In February 1997, the Company made the decision to cease operations of SR. SR's net loss for the years ended December 31, 1995, 1996 and 1997 was \$0.7 million, \$0.7 million and \$0.7 million, respectively. SR's net loss for the six months ended June 30, 1997 was \$0.6 million. In June 1998, the Company made the decision to divest PTNY and PTC. PTNY's net loss for the years ended December 31, 1995, 1996 and 1997 was \$0.5 million, \$0.6 million and \$1.3 million, respectively. PTNY's net loss for the six months ended June 30, 1997 and 1998 was \$0.3 million and \$0.4 million, respectively. PTC was 50% owned by the Company from inception in January 1996 until June 6, 1997, at which time the Company acquired the remaining 50% of the equity in PTC. The net losses from PTC that were recognized by the Company for the years ended December 31, 1996 and 1997 and for the six months ended June 30, 1997 and 1998 were \$0.3 million, \$0.7 million, \$0.1 million and \$1.9 million, respectively. The Company is actively seeking to sell both entities, but no definitive agreements have been reached.

In connection with the Offering and pursuant to the Deferred Plan, the Company has agreed with holders of the Restricted Class B Common Stock to accept the surrender of their Restricted Class B Common Stock and to transfer to stockholders surrendering their Restricted Class B Common Stock unrestricted shares of Common Stock by no later than the fifth anniversary of the date of such surrender. See 'Management--Compensation Plans--Deferred Stock Compensation Plan' for a description of the Deferred Plan and the rights of certain executive officers of the Company therein. In connection with the Deferred Plan, the

Company expects to issue an aggregate of 3,600,000 shares of the Common Stock to the grantor trust established pursuant to the Deferred Plan.

In accordance with generally accepted accounting principles, at the time of the issuance of shares of capital stock into the trust, the Company will recognize a charge to earnings of approximately \$ million (assuming the issuance price in the Offering is \$ per share) for the fair market value of the shares transferred. The estimated charge to earnings related to the establishment of the Deferred Plan, which is expected to occur in connection with the closing of the Offering, is \$ million.

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The following table sets forth, for the periods indicated, selected statements of income data as a percentage of revenues:

<TABLE>

<CAPTION>

	SIX MONTHS ENDED JUNE 30,		YEARS ENDED DECEMBER 31,				
	1998	1997	1997	1996	1995		
<S>	<C>	<C>	<C>	<C>	<C>		
Revenues:							
Government relations group.....		61.1%	63.0%	64.3%	63.2%	65.8%	
Public affairs and opinion research group.....			38.9	37.0	35.7	36.8	34.2
Total revenues.....	100.0	100.0	100.0	100.0	100.0		
Non-stock employee compensation:							
Government relations group.....		29.5	31.1	29.5	32.3	33.3	
Public affairs and opinion research group.....			24.1	22.6	21.7	23.0	19.7
Total non-stock employee compensation.....			53.6	53.7	51.2	55.3	53.0
Consulting expenses.....		5.7	6.5	6.9	8.6	8.9	
G&A expenses.....		22.7	23.1	22.5	24.9	24.9	
ESOP stock compensation expense.....			5.1	4.8	4.6	3.3	3.3
Compensation element of common stock and option issuances.....		0	0	0	3.6	3.5	
Total operating expenses.....		87.2	88.1	85.3	95.8	93.5	
Income from operations.....		12.8	11.9	14.7	4.2	6.5	
Equity in losses of affiliates.....		0	0	0	0	(0.7)	
ESOP-related interest expense.....		(2.4)	(3.6)	(3.2)	(4.5)	(5.1)	
Other interest expense.....		(0.9)	(0.9)	(0.8)	(0.2)	(0.2)	
Income (loss) from continuing operations before income taxes.....			9.5	7.4	10.8	(0.6)	0.5

Income tax (provision) benefit.....	(1.9)	(1.9)	(2.7)	0	(3.6)
	-----	-----	-----	-----	-----
Income (loss) from continuing operations.....	7.6	5.6	8.1	(0.7)	(3.0)
Discontinued operations, net of income taxes.....	(11.5)	(5.8)	(6.4)	(4.2)	(3.4)
	-----	-----	-----	-----	-----
Net income (loss).....	(3.9)%	(0.3)%	1.7%	(4.5)%	(6.5)%
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

</TABLE>

SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO SIX MONTHS ENDED JUNE 30, 1997

Revenues

Total revenues increased 14.4% to \$22.2 million for the six months ended June 30, 1998 as compared to \$19.4 million for the same period in 1997. Government Relations Group revenues increased 10.9% to \$13.5 million for the six months ended June 30, 1998 from \$12.2 million for the same period in 1997 primarily due to an increase in client retention and an increase in the group's marketing efforts. For the six months ended June 30, 1998, revenues from the Public Affairs and Opinion Research Group revenues increased 20.5% to \$8.6 million from \$7.2 million for the same period in 1997 primarily due to growth in new practice areas. In addition, there was a decline in the group's revenues in the first quarter of 1997 reflecting the lower level of public affairs activity that sometimes follows a Presidential election.

Non-Stock Employee Compensation

Total non-stock employee compensation increased 14.2% to \$11.9 million for the six months ended June 30, 1998 as compared to \$10.4 million for the same period in 1997. Government Relations Group non-stock compensation to employees increased 8.7% to \$6.5 million for the six months ended June 30, 1998 from \$6.0 million for the six months ended June 30, 1997, primarily as a result of an increase in personnel. Public Affairs and Opinion Research Group non-stock compensation to employees increased 21.9% to \$5.3 million for the six months ended June 30, 1998 from \$4.4 million for the six months ended June 30, 1997, which corresponds to the group's increase in revenue between those two periods. In addition, Bork & Associates began operations in February 1998, which resulted in the addition of senior professional staff.

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Consulting Expense

Consulting expense for the Government Relations Group was \$1.3 million for each of the six months ended June 30, 1998 and 1997. Consulting expense for the

Public Affairs and Opinion Research Group is not significant for the six months ended June 30, 1998 or 1997.

General and Administrative Expenses

Total general and administrative expenses increased 12.7% to \$5.0 million for the six months ended June 30, 1998 as compared to \$4.5 million in the same period in 1997. The expense categories with the largest increase between the periods were system integration fees associated with maintaining the Company's computer network, occupancy costs associated with a space increase, payroll taxes associated with increased non-stock employee compensation and marketing expense. As a percentage of revenues, general and administrative expenses decreased to 22.2% for the six months ended June 30, 1998 from 23.1% for the same period in 1997 as the Company was able to support its revenue growth without a proportionate increase in associated costs.

ESOP Stock Compensation Expense

Total ESOP stock compensation expense increased 21.7% to \$1.1 million for the six months ended June 30, 1998 as compared to \$0.9 million in the same period in 1997, primarily due to a larger portion of the 1998 ESOP Debt service being attributable to principal reduction rather than interest, and to an increase in the appraised value of the Company's capital stock at December 31, 1997. Principal payments on the ESOP Debt result in charges to ESOP stock compensation expense as unallocated shares of the stock owned by the ESOP are released as security for the ESOP Debt and then allocated to the participants in the ESOP. The charge to ESOP stock compensation expense is calculated by multiplying the number of unallocated shares of the Company's stock that were released as security for the ESOP Debt as a result of principal payments by the current fair market value of the stock. As a percentage of revenues, ESOP stock compensation expense increased to 5.1% for the six months ended June 30, 1998 from 4.8% for the same period in 1997.

ESOP Interest Expense

ESOP interest expense decreased 23.4% to \$0.5 million for the six months ended June 30, 1998 as compared to \$0.7 million in the same period in 1997, primarily due to principal payments made on the ESOP Debt.

Discontinued Operations

Total losses from discontinued operations increased 124% to \$2.5 million for the six months ended June 30, 1998 as compared to \$1.1 million for the same period in 1997. This increase is primarily attributable to the estimated loss from operations of the discontinued business units of approximately \$0.6 million from the measurement date to the ultimate divestiture date and the recognition

of approximately \$1.4 million of losses attributed to the write-off of goodwill associated with the discontinued operations, offset by increases in operating results of the discontinued operations of approximately \$0.5 million primarily attributable to increases in revenues of \$1.3 million offset by increases in operating expenses of \$0.8 million.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

Revenues

Total revenues increased 12.6% to \$41.0 million for the year ended December 31, 1997 as compared to \$36.5 million for 1996. Government Relations Group revenues increased 14.7% to \$26.4 million for the year ended December 31, 1997 from \$23.0 million for 1996 due to an increase in client retention and an increase in the group's marketing efforts. For the year ended December 31, 1997, revenues from the Public Affairs and Opinion Research Group increased 9.0% to \$14.7 million from \$13.5 million for 1996 primarily due to growth in several new practice areas.

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Non-Stock Employee Compensation

Total non-stock employee compensation increased 4.3% to \$21.0 million for the year ended December 31, 1997 as compared to \$20.2 million for 1996. Government Relations Group non-stock compensation to employees increased 2.7% to \$12.1 million for the year ended December 31, 1997 from \$11.8 million for 1996. The small increase in compensation expense relative to the increase in revenue was primarily due to increased utilization of personnel in the group and the full year impact of a salary reduction for the group's senior executives in August 1996 resulting from the reduced Congressional agenda discussed herein. Public Affairs and Opinion Research Group non-stock compensation to employees increased 6.5% to \$8.9 million for the year ended December 31, 1997 from \$8.4 million for 1996, primarily due to the increase in revenues.

Consulting Expense

Consulting expense for the Government Relations Group decreased 8.7% to \$2.9 million for the year ended December 31, 1997 from \$3.1 million for 1996 primarily due to the group reducing the number of consultants who receive retainers in addition to commissions. Consulting expense for the Public Affairs and Opinion Research Group is not significant for the years ended December 31, 1997 or 1996.

General and Administrative Expenses

Total general and administrative expenses increased 1.7% to \$9.2 million for the year ended December 31, 1997 as compared to \$9.1 million for 1996. As a percentage of revenues, general and administrative expenses decreased to 22.5% for the year ended December 31, 1997 from 24.9% for 1996 as the Company was able to support its revenue growth without a proportionate increase in associated costs.

ESOP Stock Compensation Expense

Total ESOP stock compensation expense increased 54.2% to \$1.9 million for the year ended December 31, 1997 as compared to \$1.2 million in 1996, primarily due to a larger portion of the 1997 ESOP Debt service being attributable to principal reduction rather than interest, and to an increase in the appraised value of the Company's capital stock at December 31, 1997. Principal payments on the ESOP Debt result in charges to ESOP stock compensation expense as unallocated shares of the stock owned by the ESOP are released as security for the ESOP Debt and then allocated to the participants in the ESOP. The charge to ESOP stock compensation expense is calculated by multiplying the number of unallocated shares of the Company's stock that were released as security for the ESOP Debt as a result of principal payments by the current fair market value of the stock. As a percentage of revenues, ESOP stock compensation expense increased to 4.6% for the year ended December 31, 1997 from 3.3% in 1996.

Compensation Element of Common Stock and Option Issuances

Compensation element of common stock and option issuances expense for the year ended December 31, 1996 consisted of the fair market value of stock options earned by the Public Affairs and Opinion Research Group's senior executive of \$1.3 million in accordance with his employment contract. There was not a corresponding stock option award in 1997.

ESOP Interest Expense

ESOP interest expense decreased 21.8% to \$1.3 million for the year ended December 31, 1997 as compared to \$1.7 million in 1996, primarily due to principal payments made on the ESOP Debt.

Discontinued Operations

Total losses from discontinued operations increased 71.3% to \$2.6 million for the year ended December 31, 1997 as compared to \$1.5 million for 1996. This increase is primarily attributable to increases in operating costs of the discontinued operations of approximately \$1.3 million primarily attributable to increases in non-stock employee compensation and occupancy costs offset by increases in revenues of \$0.2 million attributable to new clients and expansion of assignments from existing clients.

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YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

Revenues

Total revenues increased 0.5% to \$36.5 million for the year ended December 31, 1996 as compared to \$36.3 million for 1995. Government Relations Group revenues decreased 3.7% to \$23.0 million for the year ended December 31, 1996 from \$23.9 million for 1995 primarily due to a reduced Congressional agenda resulting from the 'shutdown' of the Federal government during the dispute between Congress and the Executive Branch over the fiscal year 1996 budget. In addition, the Congressional agenda was heavily weighted towards social issues which, for the most part, did not financially impact the group's clients. For the year ended December 31, 1996, Public Affairs and Opinion Research Group revenues increased 8.6% to \$13.5 million from \$12.4 million for 1995. The increase in the group's revenues was almost entirely due to the acquisition of Frederick Schneiders Research in December 1995. Revenues for Powell Tate for the year ended December 31, 1996 compared to 1995 were flat due primarily to the circumstances related to the Federal Government shutdown and the reduced Congressional agenda noted above.

Non-Stock Employee Compensation

Total non-stock employee compensation increased 5.0% to \$20.2 million for the year ended December 31, 1996 as compared to \$19.2 million for 1995. Government Relations Group non-stock compensation to employees decreased 2.3% to \$11.8 million for the year ended December 31, 1996 from \$12.1 million for 1995, primarily due to the full year impact of a reduction in the number of employees that took place in 1995. In addition, a salary reduction for the group's senior executives took effect in August 1996, and the 1996 bonus expense for personnel in the group was less than the 1995 bonus expense, both reflecting the decrease in the group's revenues in that year that resulted from the reduced Congressional agenda discussed above. Public Affairs and Opinion Research Group non-stock compensation to employees increased 17.3% to \$8.4 million for the year ended December 31, 1996 from \$7.1 million for 1995, primarily due to the acquisition of Frederick Schneiders Research described above.

Consulting Expense

Consulting expense for the Government Relations Group decreased 2.7% to \$3.1 million for the year ended December 31, 1996 from \$3.2 million for 1995, primarily due to the group reducing the number of consultants who receive retainers in addition to commissions. Consulting expense for the Public Affairs and Opinion Research Group is not significant for the years ended December 31,

1996 or 1995.

General and Administrative Expenses

Total general and administrative expenses increased 0.7% to \$9.1 million for the year ended December 31, 1996 as compared to \$9.0 million for 1995. As a percentage of revenues, general and administrative expenses were approximately 24.9% in both 1996 and 1995.

ESOP Stock Compensation Expense

Total ESOP stock compensation expense was \$1.2 million for each of the years ended December 31, 1996 and 1995. As a percentage of revenues, ESOP stock compensation expense was approximately 1.9% in both 1996 and 1995.

Compensation Element of Common Stock and Option Issuances

Compensation element of common stock and option issuances expense was \$1.3 million for each of the years ended December 31, 1996 and 1995, and consisted of the fair market value of stock earned by the Public Affairs and Opinion Research Group's senior executive during those years in accordance with his employment contract.

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ESOP Interest Expense

ESOP interest expense decreased 9.9% to \$1.7 million for the year ended December 31, 1996 as compared to \$1.8 million in 1995, primarily due to principal payments made on the ESOP Debt.

Discontinued Operations

Total losses from discontinued operations increased 23.1% to \$1.5 million for the year ended December 31, 1996 as compared to \$1.2 million for 1995. One aspect of the increase was an increase of \$1.1 million in operating costs of the discontinued operations. The increase in operating costs was primarily attributable to the Company's 50% interest in PTC's operating losses accounted for under the equity method of accounting in 1996 (PTC began operations in 1996), and increases in PTNY's non-stock employee compensation and occupancy costs. In addition, SR's revenues decreased \$0.9 million. Those decreases in operating results were offset by \$1.7 million of increased revenues at PTNY attributable to new clients and expansion of assignments from existing clients.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity has been cash flows from operations. The Company's cash flows from operations were \$(0.9) million, \$5.0 million, \$0.5 million and \$4.9 million for the six months ended June 30, 1998 and for the years ended December 31, 1997, 1996 and 1995, respectively. Because the Company's contributions to the ESOP for debt service are tax deductible, the Company's net cash provided by operations reflects only alternative minimum tax at the Federal level and certain state taxes. The timing of receipt of accounts receivable from major clients can vary and, combined with the semi-annual ESOP Debt service payments, has historically resulted in a fluctuation in cash flows from period to period. It is anticipated that as a result of the Offering, the ESOP Debt will be repaid and the Company will make no future contributions to the ESOP.

Of the \$1.5 million of cash flow used for investing activities for the year ended December 31, 1997, \$1.4 million was used to make capital expenditures, primarily to upgrade the Company's computer network. The Company has no material commitments for capital expenditures and, as a services company, does not anticipate making capital expenditures in excess of \$1.0 million in each of the next two years.

Prior to March 1996, the Company had no short-term debt other than trade payables incurred in the ordinary course of business. It currently has three lines of credit that provide for borrowings of up to \$5.5 million, \$4.0 million and \$2.5 million with two banks, which may be used for general working capital purposes. The lines of credit bear interest at the LIBOR Rate plus 1.25%, the bank's prime rate and prime plus 0.5%, respectively. A total of \$1.1 million and \$5.7 million were outstanding under the lines of credit at December 31, 1997 and June 30, 1998, respectively. The Company's cash needs peak in the first quarter since bonuses are paid each March 15, and the semi-annual ESOP Debt service is due each April 1. In addition, all employees are subject to payroll taxes during the first quarter. Finally, a substantial amount of the \$1.4 million computer network upgrade described above was paid in the first quarter of 1998 even though the obligation was incurred and capitalized in the fourth quarter of 1997.

The Company's cash on hand at December 31, 1997 and June 30, 1998 was \$0.1 million and \$0.7 million, respectively. It is the Company's policy to use excess cash to reduce its outstanding borrowings under the lines of credit.

The Company believes the net proceeds from the sale of the Common Stock offered hereby, together with funds generated by operations and periodic short-term borrowings, will provide adequate cash to fund its anticipated future cash needs for the next 12 months, which may include costs associated with acquisitions of other businesses.

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NET OPERATING LOSS CARRYFORWARDS

As of December 31, 1997, the Company had federal net operating loss ('NOL') carryforwards of approximately \$7.8 million and approximately \$0.4 million of federal alternative minimum tax credit carryforwards, available to offset future federal income taxes. The federal NOL carryforwards expire from 2009 through 2011, and the alternative minimum tax credit carryforward has no expiration date. As required by Section 6405 of the Internal Revenue Code of 1996, as amended (the 'Code'), the Internal Revenue Service has proposed to the Joint Committee on Taxation that the Company's income tax returns for the years through December 31, 1996 be accepted without examination, or as previously adjusted. On May 1, 1998, the Company was advised that the Joint Committee on Taxation has taken no exception to the conclusions the Internal Revenue Service reached regarding the Company's tax returns for the years through December 31, 1996. These actions do not preclude, as a matter of law, future examination of the Company's returns, even of returns for years as to which the Company has been advised that the returns are accepted without examination.

YEAR 2000 ISSUES

The Company is currently developing a plan to ensure that its systems and software infrastructure are Year 2000 compliant. Key financial, information and operational systems will be assessed and plans will be developed to address required systems modifications. Given the relatively small size of the Company's systems and its predominantly new hardware, software and operating systems, management does not anticipate any significant delays in becoming Year 2000 compliant. However, the Company is unable to control whether its current and future business partners' systems are Year 2000 compliant. To the extent that clients would be unable to pay invoices or suppliers would be unable to provide services, the Company's operations could be affected by its business partners' Year 2000 problems. Management does not believe, however, that Year 2000 changes will have a material impact on the Company's business, financial condition or results of operations.

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BUSINESS

OVERVIEW

The Company, founded in 1975, is a leading provider of government relations services, public affairs communications and opinion research services. The Company formulates and implements comprehensive and often integrated government relations and public affairs communication strategies designed to achieve its clients' objectives by communicating and advocating its clients' positions

before key Government decision-makers on specific public policy matters. The successful outcome of the Company's engagements often will have a material impact on its clients' businesses and prospects. CCI offers services in two practice areas: government relations and public affairs communication and opinion research. The Government Relations Group recorded revenues in 1997 greater than any other company providing government relations services, according to a report in the Legal Times, and provides clients with expert representation and advocacy in the legislative and regulatory process. The Public Affairs and Opinion Research Group provides expert strategy and implementation in public affairs and crisis communications, opinion research and litigation support services to the Company's client base. The Company also offers its clients in-depth industry expertise in specific vertical markets, including the non-profit sector, insurance, telecommunications, technology, defense, agriculture, transportation, international trade, energy resources, health care and infrastructure, as well as an integrated approach to government related business problems and opportunities by drawing upon the strengths of both the Government Relations Group and the Public Affairs and Opinion Research Group. The Company's growth strategy is to increase its market share by attracting and retaining high quality professionals and by pursuing strategic acquisitions of complementary businesses with established reputations, clients and revenues.

In its 23-year history, CCI has represented over 1,100 clients, including 24 of the Fortune 50 corporations; coalitions and trade associations; public and private utilities; universities and colleges; financial institutions; health care providers; state, city and county governments; international businesses; foreign governments and other entities. The Company's revenues and income from operations have increased from \$36.5 million and \$1.5 million in the 1996 fiscal year to \$41.0 million and \$6.0 million in the 1997 fiscal year, respectively, representing an annual growth rate of 12.6% and 300.0%, respectively. The Company's revenues and income from operations have increased from \$19.4 million and \$2.3 million in the first six months of 1997, respectively, to \$22.2 million and \$2.8 million in the first six months of 1998, respectively, representing an increase of 14.4% and 21.7%, respectively. No single client accounted for more than 5% of the Company's revenues in 1997 or in the first six months of 1998. In 1997 and in the first six months of 1998, the 10 largest clients contributed 22% and 18% of CCI's overall revenues, respectively. For each of the last three full fiscal years, over 60.0% of the Company's revenues came from clients who had been clients in the preceding year.

The Company's revenues are generated primarily from contracts with one of two different payment arrangements. The Government Relations Group, the Company's largest business unit, uses written retainer contracts, usually for periods of greater than 12 months, the fees for which are payable monthly or quarterly in advance. The revenues of the Public Affairs and Opinion Research Group are derived primarily from time and materials reimbursement contracts. The

Company does not provide services for contingent fees. As of June 30, 1998, the Company had \$26.8 million of future revenues under existing retainer contracts to become due as follows: \$12.0 million during the period beginning July 1, 1998 and ending December 31, 1998, \$10.5 million in 1999 and \$3.1 million in 2000. Revenues to become due under existing retainer contracts after December 31, 2000 are \$1.2 million.

Because the quality of the Company's services depends on the quality of the senior professionals who deliver those services, the Company is highly selective in recruiting for these positions. Full-time professionals and consultants are selected from among the most highly respected individuals with recognized expertise in their chosen fields of endeavor. As of June 30, 1998, CCI employed 73 full-time senior professionals engaged in client services. Numerous professionals in the Company hold advanced degrees, including 23 masters degrees, 17 law degrees and two doctorates. These professionals had together approximately 400 years of experience working for Congress or the Executive Branch. Many of these professionals are nationally recognized as experts in their respective fields, having backgrounds in a wide range of disciplines, including former members of Congress, key staffers on Capitol Hill and former senior political appointees in the Executive Branch. The Company's full-time professionals are complemented by the services of 14 senior consultants, who provide expert advice on

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government relations initiatives and public policy issues, and 23 marketing consultants, who assist the Company in its new business development activities. See '--Services--The Government Relations Group--Business Development Program.'

INDUSTRY BACKGROUND

While the term 'lobbyist' was coined in the early nineteenth century to refer to representatives of special interests waiting in the lobbies or anterooms of elected officials to make their cases, lobbying, or government relations consulting, dates back to the origins of organized government. Lobbying has played a major role in shaping American public policy. It is a deeply rooted tradition guaranteed by the First Amendment to the Constitution, which forbids Congress to abridge the right of the people 'to petition the government for redress of grievances.' James Madison, whose essay No. 10 in The Federalist Papers remains the basis of political theory on interest groups, saw as innate and inevitable the propensity of human beings to pursue their own interests. Lobbying is now an established industry subject to extensive disclosure requirements and regulation.

In the twentieth century United States, the lobbying industry flourished with the expansion of government spending and authority, initially under

Franklin D. Roosevelt's New Deal in the 1930's, during the Second World War and in the post-war economic expansion. In the 1970's, largely as a result of the discontent with the Presidency engendered by Watergate and the Vietnam conflict, Congress launched reforms intended to redefine its role in the policy process and to counter-balance the power of the Executive Branch. The 1970's Congressional reforms included, among others, the expansion of the number of Congressional subcommittees, modifications in the seniority system and 'sunshine laws,' which by opening up committee mark-up sessions, hearings and conferences, encouraged greater participation in all phases of the policy-formation process.

These reforms dispersed congressional power, once concentrated in the leadership and held by a few committee chairmen, among many members, as well as to the ranks of professional staffers whose numbers have increased substantially since the 1960's. This diffusion of power has not only provided a multiplicity of points of communication to Congress, but, in the Company's opinion, also makes it necessary to design sophisticated and comprehensive strategies in order to communicate a message on behalf of a client to a much broader audience.

Factors external to Congress have also had a significant impact on the policy-making process. In the international arena, the United States has emerged as a dominant force in an increasingly interrelated global economy. Congressional decisions have an increasingly direct effect upon the economies of foreign countries. Similarly, events occurring overseas from the oil embargo of the 1970's to the instability in global markets due to events in Thailand, Indonesia, Japan and South Korea in 1998 have had important impacts on the United States economy. These trends and events have led to an increase in the frequency with which overseas interests lobby Congress and the Executive Branch. The Company believes that foreign governments and businesses, long accustomed to doing business in the United States exclusively through formal channels, today find that they must also work directly with those who write and enforce the laws. Simultaneously, for similar reasons, the Company believes that United States businesses are more frequently lobbying Congress and the Executive branch to support their interests before foreign governments and international bodies.

The market for the Company's services is growing. As Congress deals with an increasing number of issues, the number of people and institutions affected by government decisions also grows, creating more conflicts over policy among groups with competing interests. As a result, the demand for experienced government relations professionals who can guide clients through the policy-making process has increased. According to a May 1998 report in the Legal Times, the number of registered lobbyists is approximately 11,500 representing approximately 9,000 registered clients. According to an Associated Press report in March 1998, lobbying is now a \$1.2 billion a year business.

These same developments plus the increase in the number of television 'magazine' shows and other forms of 'investigative journalism' and the 24-hour

news cycle, have created a market for public affairs communication services. These services, which provide more than traditional public relations work, assist businesses to create and deliver sophisticated, cost-effective public communications to supplement direct communication with policy makers. Of the firms reporting to O'Dwyer's Directory of Public Relations Firms 1998, there were 28 public relations firms in Washington, D.C. alone in 1997. Public affairs communication

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services also include crisis communications for businesses and are supported, generally, by a related opinion research and counseling capacity.

COMPANY BACKGROUND AND HISTORY

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- 1975--1988 o Gerald S. J. Cassidy, an attorney with significant Capitol Hill experience, principally in the areas of health and nutrition, creates a government relations firm ('Cassidy & Associates' or 'C&A') to assist clients in advocating their interests before government decision makers.
- o Given Mr. Cassidy's expertise in nutrition, C&A initially attracts clients such as Kellogg, Nabisco and General Mills which wanted their products used in government programs such as the School Lunch and Food For Peace programs.
 - o Among the first clients of the firm is Ocean Spray Cranberries--still a client more than 23 years later. C&A has assisted Ocean Spray in formulating and responding to government regulations concerning juice labeling and in seeking wetland permits for the creation and expansion of cranberry bogs, among other issues.
 - o C&A pioneers the practice of providing government relations services to the nation's leading universities and colleges, assisting clients to obtain government funding for various types of academic research centers, including a graduate school of nutrition, an inter-cultural center for law and diplomacy, facilities for research on energy conservation, and poverty and nutrition policy. At June 30, 1998, C&A was retained by 30 universities and colleges.
- 1989--1991 o The firm recruits top professionals from congressional staffs and the Executive Branch, expanding its expertise and services offered beyond its traditional base in the non-profit sector and the food industry and attracting additional clients. Firm management recruits new employees with substantive experience in a variety of fields--including international relations, health care, national defense, tax and trade issues.
- 1991 o The Company establishes Powell Tate, a newly formed public affairs communications firm headed by Jody Powell, the former press secretary to President Carter, and Sheila Tate, the former press secretary for Vice President Bush's 1988 presidential campaign and transition

and former press secretary to Nancy Reagan.

1994 o Boland & Madigan, a government relations firm, is acquired as a separate operating subsidiary. Its principals bring substantive expertise in important vertical markets, including technology, telecommunications, insurance and aviation.

1995 o The Company acquires Frederick Schneiders Research, bringing 'in-house' the capacity to measure public opinion on policy issues affecting a client.

1998 o The firm acquires Bork & Associates, a litigation communications firm, headed by Robert Bork, Jr., a founding member of the White House Writers Group, where he has been a senior director since January 1993.

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COMPETITIVE STRENGTHS

Since 1975, the Company has been committed to providing expert government relations advocacy and public affairs representation to its clients. The Company believes the following factors have been critical to its success and make it a strong competitor in its marketplace.

Reputation for Solving Complex Business Problems

The Company believes that over its 23-year history it has established a strong reputation among its clients as a source of expertise in effectively communicating an objective to members of Congress, the Administration and to the public. In addition, the Company believes that its significant name recognition, developed as a result of its

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quality work and high profile engagements, is critical in attracting new clients and in recruiting and retaining both Company professionals and outside experts.

Retention of Client Base

Client retention has been a significant component of the Company's success. For each of the last three full fiscal years, over 60% of the Company's revenues came from clients who had been clients in the prior year. For the years ended December 31, 1995, 1996, and 1997, 74%, 72% and 72%, respectively, of the Government Relations Group's revenues came from clients on retainer contracts who were also clients during the prior year. For the same periods, 64.3%, 50.7% and 56.8%, respectively, of the revenues from the Company's Public Affairs and Opinion Research Group came from clients who had also been clients in the prior year.

Highly Experienced and Versatile Professionals

The Company believes that its most important asset is its staff of full-time professionals. The Company's 73 senior professionals, as of June 30, 1998, have had together approximately 400 combined years of experience on Capitol Hill and in the Executive Branch, including former members of Congress, key staffers on Capitol Hill and former senior political appointees in the Executive Branch. The Company's professionals are skilled in the process of making laws and promulgating regulations. Many of these professionals are nationally recognized as experts in their respective fields. In addition to their expertise in a particular field, most of the Company's professionals are able to apply their skills across numerous practice areas. The resulting flexibility in staffing engagements is critical to the Company's ability to apply resources as needed to meet the demands of clients. As a result, the Company seeks to hire professionals who not only have strong public policy experience, but also are creative and seek to develop expertise in new practice areas and industries. The Company believes that the most effective professionals and outside experts are attracted by the opportunity to work on the diverse array of matters offered by the Company.

Vertical Expertise

By maintaining expertise in certain industries, the Company is able to offer clients creative and pragmatic advice tailored to their specific needs. The Company believes that this vertical expertise, developed by CCI over decades of providing government relations services to a diverse group of clients in industries such as the non-profit sector, insurance, telecommunications, technology, defense, agriculture, transportation, international trade, energy resources, health care and infrastructure, is a basis for differentiating the Company from its competitors. CCI believes that it has developed a strong reputation and substantial name recognition within these specific industries, leading to repeat business as well as to new engagements from clients in those markets. See
'--Overview.'

Broad Range of Services and Cross-Selling

By offering clients government relations and public affairs communications, CCI is able to satisfy a broad range of client needs, ranging from background research for complex lawsuits to designing comprehensive government relations and media communications strategies to assist a client in achieving its business objectives. This broad range of expertise enables the Company to take an interdisciplinary approach to engagements when needed, combining government relations experts in one area with specialists in another discipline such as crisis management.

The Company believes that understanding the politics and forces that shape public policy decisions is essential and that, to be successful, a government relations program must communicate with decision makers in an honest, compelling and timely manner, providing information in an understandable and persuasive manner and within the proper context. Consequently, the Company believes that its core competencies of government relations, public affairs communications and opinion research services are interrelated and that the integration of its various services enhances the ability of the Company's professionals to reach decision makers.

The Company emphasizes its diverse capabilities to clients and regularly cross-markets across service areas. As a result, it is not unusual for a client that the Company assists in a government relations matter also to retain the Company for a public affairs or opinion research matter. For the years ended December 31, 1995, 1996, and

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1997, the Company provided professional services from more than one of its two operating groups to 14, 20, and 23 clients, respectively. Total revenues from those clients during those years were approximately \$8.6 million, \$10.0 million and \$10.0 million, respectively, or 23.7%, 27.5% and 24.3%, respectively, of the Company's total revenues.

GROWTH STRATEGIES

The Company intends to enhance its position as a leading government relations and public affairs communications company by pursuing the following growth strategies.

Attract and Retain High Quality Professionals and Groups of Professionals

Since its professionals are its most important asset, the Company's ability to attract and retain highly credentialed and experienced professionals both to work on engagements and to generate new business is crucial to the Company's success. In order to attract highly qualified professionals, the Company offers competitive compensation and benefits. CCI also believes that professionals are attracted to CCI because of its strong reputation, the credentials, experience and reputation of its professionals and the opportunity to work on diverse matters and with high profile clients. The Company intends to grant stock options or other stock-based incentives to certain employees as part of its efforts to attract and retain professionals. See 'Management--Compensation Plans--1998 Stock Option and Incentive Plan.'

CCI has traditionally expanded through the addition of small, entrepreneurial groups, such as Powell Tate in 1991, Boland & Madigan in 1994

and Frederick Schneiders Research in 1995. The Company's senior officers then assisted these companies in structuring, managing and growing their businesses. The Company believes it can continue to expand the services offered to its clients through the addition of other senior professionals and groups of professionals.

Pursue Strategic Acquisitions

Given the highly fragmented nature of the government relations and public affairs industries, CCI believes that there are numerous opportunities to enhance its current business capabilities by acquiring government relations and public affairs firms. The Company believes the acquisition of complementary businesses will provide it with additional professionals, new service offerings, additional industry expertise and a broader client base. The Company has adopted an acquisition strategy to take advantage of these opportunities by focusing on successfully operating companies that practice in the areas of the Company's core competencies or in certain vertical markets, such as health care, environment and tax, which are sufficiently related to the Company's markets to enable the generation of cross-selling opportunities. The Company has recently decided to divest certain operations which it believes did not meet these criteria. See 'Risk Factors--Risks Related to Acquisitions,' 'Other Significant Recent Actions' and 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview.'

The model acquisition candidate generally will have annual operating revenues of \$5.0 million to \$10.0 million and have the capacity, in the opinion of the Company's management, to sustain significant internal annual revenue growth rates. The Company intends to finance acquisitions through a combination of the proceeds of the Offering, its available cash resources, bank borrowings and, in appropriate circumstances, the future issuance of equity and/or debt securities. While the Company has held preliminary discussions with potential acquisition candidates, there are currently no agreements or understandings regarding any such acquisitions.

SERVICES

The Company provides services through two operating groups. Its Government Relations Group is comprised of C&A and Boland & Madigan, which together recorded revenues from government relations services in 1997 greater than any other company providing such services, according to a report in the Legal Times. The Company's Public Affairs and Opinion Research Group is comprised of Powell Tate, Frederick Schneiders Research, a polling and research firm, and Bork & Associates, a newly created litigation communications firm.

The Government Relations Group

Washington, D.C. is one of the world's most important public policy centers. Decisions made in a variety of forums in Washington affect virtually every business and institution in the United States as well as foreign governments and many businesses around the world. The Company's clients are those affected by governmental decisions who realize the need to advocate before decision makers specific public policy goals that further their interests and, consequently, who desire to develop and pursue strategies and tactics designed to achieve those goals. As of June 30, 1998, the Government Relations Group provided services to approximately 160 clients (eight of which are represented by both C&A and Boland & Madigan), of which 58 are corporations; 17 are coalitions and associations; three are public and private utilities; four are financial institutions; 30 are colleges and universities; 29 are health care providers; six are state, city and county governments; six are foreign entities; and seven are museums and foundations. Although the Company is headquartered in Washington, D.C., it also maintains business development offices in Boston, Massachusetts, Sacramento, California, and Chicago, Illinois. The Boston office also provides services to the Company's clients.

Business Development Program. The clients of the Government Relations Group can be divided into two basic categories. The first comprises those entities which recognize that their business or institutional objectives are significantly impacted by government action in Washington. This category of potential clients usually has already determined that they need advocacy and advice and are committed to finding the representation that they need. Those entities which are not as experienced in recognizing, and responding to, governmental rules, regulations, policies and programs which impact their business comprise the second category of potential clients. The clients in this category are often not actively seeking Washington representation.

The Company believes that potential clients in the first category would be drawn to the Government Relations Group by its reputation and are most likely to select the group for its Washington representation if the engagement requires the quality and broad scope of services which the group and the Company as a whole can offer and which, the Company believes, differentiates it from competing firms. The Government Relations Group usually does not take part in formal 'beauty contests' and, generally, avoids competition for client engagements based solely on fees or costs. The Company does not provide services for contingent fees.

The Government Relations Group has an active new business development program to identify potential clients in the second category that might benefit from professional Washington representation. The new business development efforts of the Government Relations Group are led by the senior professional staffs of each operating company assisted by a national network of consultants

who assist in marketing operations. Such consultants receive a commission of up to 10% on the value of contracts that are signed as a result of leads that they generate. Certain consultants also receive retainers in addition to the commissions they earn. Revenues from retainer contracts that were signed as a result of leads generated by such marketing consultants for the years ended December 31, 1995, 1996 and 1997 were \$11.6 million, \$11.3 million and \$12.4 million, respectively.

The first step in this business development process involves senior professional staff and research staff identifying the key issues, pending legislation, regulatory proposals and policy debates that are slated for Congressional or Executive Branch consideration and action during a given year. The group's professionals then study these matters to determine the sectors of the economy and the specific industries that may be affected favorably or adversely. Once specific industries are identified, the Government Relations Group, through its senior professional staff and its network of consultants, identifies the leading businesses or institutions within the affected industry. Further research is conducted and then a determination is made regarding the proper steps for achieving an introductory meeting with the potential client's senior management. When an introductory meeting has been arranged, the professionals from the Government Relations Group meet in a discussion and presentation format with the leadership of the potential client to discuss the advantages of Washington representation, the federal government issues that may impact the potential client's activities or objectives over the next 24 months and the process of representing a client in Washington. When such discussions and presentations are successful, fees, terms of engagement, and negotiation on the scope and breadth of the relationship are then negotiated and a written contract executed. In addition, the new business development consultants are also informed about the key issues before the federal government and are encouraged to identify and develop further opportunities for representation within their own communities. In 1997, C&A made presentations to 220 potential clients, of which 51, or 23.2% resulted in revenue-producing engagements.

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Client Engagements. The first step in a new client engagement is an in-depth discussion about the objectives of the engagement. The Government Relations Group's professionals then work with the client to develop a detailed strategy to accomplish the client's objectives. The Government Relations Group's professionals bring to this effort an understanding of the substance of the applicable law affecting the client and its business as well as an understanding of the goals and objectives of the various Congressional and Executive Branch personnel and units which are likely to be involved in the decision-making process. Typically, a crucial part of any successful strategy is to identify the public policy objectives that can themselves be advanced when the client's goals are achieved.

The Government Relations Group's professionals then focus on implementing the strategy. This effort frequently involves communicating the client's issues and goals to decision makers by person-to-person meetings with members of Congress, their staff, the members of the Executive Branch and other groups taking part in the decision-making process to gain their support for the client's position. The goal of this communication process is to ensure that decision-makers are aware of the relationship among the client's objectives, national policies and the interests of the public.

Examples of major client engagements undertaken by the Government Relations Group include the following:

- o Advocating that the Federal Government impose a moratorium on state and local taxation of electronic commerce so as not to slow the expansion of electronic commerce;
- o Opposing a proposed content labeling regulation that a leading agricultural cooperative believed would be misleading to consumers while at the same time dramatically increasing its costs of doing business;
- o Assisting a local community faced with the likely closure of a military facility to make a comprehensive presentation to advocate the retention of the base;
- o Aiding a corporation specializing in the manufacturing of power cable in seeking the lead position to design, manufacture and install one of the world's largest underwater cable systems;
- o Implementing a regulatory strategy so that a major agricultural company could obtain a nationwide permit to expand its operations;
- o Assisting a leading chemical company in developing a major new business sector by marketing its product to the federal government;
- o Assisting in obtaining an \$18 million grant for the construction of a new commuter rail system linking two metropolitan communities in New England; and
- o Working with a major medical center to secure a Medicare reclassification in the Budget Reconciliation Act of 1997 that would allow them to recapture \$11 million annually in Medicare reimbursements.

Terms of Engagement. The Government Relations Group's revenues are generated primarily from written retainer contracts, usually for periods of greater than twelve months, payable monthly or quarterly in advance. For the

years ended December 31, 1995, 1996 and 1997, revenues from this group were 66.8%, 63.2% and 64.2%, respectively, of the Company's total revenues. Revenues from retainer contracts from clients who were clients during the previous year were approximately \$17.7 million, \$16.6 million, and \$18.8 million, respectively, or 48.8%, 45.0% and 45.7% of the Company's total revenues. As of June 30, 1998, the Company had \$26.8 million of future revenues under existing retainer contracts to become due as follows: \$10.5 million during the period beginning July 1, 1998 and ending December 31, 1998; \$ 12.0 million in 1999; and \$3.1 million in 2000. Revenues to become due under existing retainer contracts after December 31, 2000 are \$1.2 million.

Public Affairs and Opinion Research Group

Each of the three operating units of this group has its own client base, although each unit derives a significant portion of its revenues from integrated services that are provided in conjunction with at least one of the other units in the Public Affairs and Opinion Research Group, as well as the Government Relations Group. See '--Integration of All Company Services.'

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Opportunities in the Public Affairs Business. The Company believes that the growth in public affairs communications over the past 15 years has been fueled by fundamental changes in American society and the way in which public policy decisions are made. For example, a decline in the power of congressional leaders and in the strength of political parties has placed a premium on the ability to quickly and persuasively inform constituents and interested groups about public policy issues affecting them. Both government relations and law firms have recognized, the Company believes, the need for sophisticated, cost-effective public communications to supplement their direct communications with policy makers. High-stakes and high-profile litigation plus television 'magazine' shows and other forms of 'investigative journalism' have increased the demand for experienced communications assistance among corporations and trade associations. Further, the Company believes that the arrival of real-time information systems and the 24-hour news cycle have enhanced this demand, thus increasing opportunities for the services of the Public Affairs and Opinion Research Group.

The Business of Powell Tate. Powell Tate ('PT') provides strategic counsel and comprehensive implementation of communication strategies to clients facing challenges in public affairs and crisis communications. Since its inception in July of 1991, PT has grown to become third largest, in terms of revenues, among public relations firms in the Washington, D.C. area which reported to O'Dwyer's Directory of Public Relations Firms 1998. This directory places PT twenty-first in the United States based on 1997 revenues.

Since its inception, PT has focused on the importance of employing highly experienced former government officials and journalists and implementing all aspects of a communications plan. The range of services available to clients includes issue and image advertising, creative and design services, media relations and editorial services, events planning, spokesperson training, coalition building, news media and Internet communications and in-depth secondary research. The four most senior executives at PT have been with the Company since its inception. PT has placed a premium on recruiting senior and mid-level professionals with substantive experience in specific practice areas, including, but not limited to, defense, aviation, telecommunications, finance and international affairs.

The Business of Frederick Schneiders Research. Frederick Schneiders Research ('FSR') specializes in opinion research among the public, opinion leaders, policy makers, and other special populations. It employs qualitative methodologies (e.g., focus group and in-depth interviews) and quantitative methodologies (e.g., telephone, mail, Internet, and in-person interviews) to provide clients with a basis for strategy and message development in their public affairs programs and litigation and crisis management. In many PT engagements, FSR makes a significant contribution to strategy development and to the testing and refining of messages to be delivered through advertising and/or other media outlets. FSR data are also used to measure the effectiveness of strategy and messages. Its litigation opinion research services include jury consulting, mock trials, change of venue surveys, consumer confusion surveys and expert testimony.

The Business of Bork & Associates. Bork & Associates ('B&A'), which became a Cassidy company in early 1998, specializes in providing communications counsel in support of corporations and other entities facing significant litigation challenges. B&A applies the techniques of modern political communications to the legal arena, designing strategies to help clients avoid litigation, win litigation and, above all, protect reputations. Working closely with its clients' internal and outside counsel, B&A crafts and tests messages, develops materials and recruits allies to support litigation strategy.

Business Development Programs. PT has a business development program, headed by a senior vice president who has been with the firm since its incorporation and who reports directly to the chief executive officer. The majority of new business engagements come from former clients or referrals from clients, law firms and other business partners. In order to identify business opportunities, PT monitors closely both breaking news and longer-term trends. PT coordinates joint proposals and presentations with other CCI companies. Additionally, B&A and PT have developed branded products targeted at the litigation support market, including a media training program for lawyers and a litigation message development program.

FSR's business development efforts are headed by a senior executive. FSR receives considerable media coverage of its research, and it currently has an exclusive co-branded product with the National Journal to conduct regular Internet-based surveys of the often hard-to-reach senior congressional staff.

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Client Engagements. PT currently provides public affairs services to approximately 100 clients consisting of corporations, trade associations, broad-based coalitions, non-profit organizations, international interests and foreign governments.

Examples of major client representations include:

- o PT organized a 2,000-member coalition seeking to expand the number of air routes for airlines between the United States and Japan. This effort required forging a consensus in order to encourage the Clinton Administration to renegotiate the 1952 bilateral agreement governing passenger air service between the two countries. PT worked with coalition members to conduct news conferences and media outreach across the country and to assist in communicating with local, state and federal officials.
- o PT provided strategic counsel and media relations support to an Asian company in its efforts to acquire a United States company. The transaction required significant national security and regulatory approvals. PT worked closely with legal, governmental affairs and financial advisers to craft messages, identify issues, handle media outreach and inquiries and draft materials to explain and build support for the transaction.
- o Following the crash of a commuter airline, PT was retained by the aircraft manufacturer to provide crisis communications support during a two-year investigation of the accident. During the period of extensive media attention, PT provided strategic counsel, handled all media inquiries and provided assistance in drafting materials to be publicly distributed to demonstrate the company's commitment to find the actual cause of the accident and underscore the aircraft's safety.

FSR clients come from a similarly broad cross section of interests, and while PT and FSR often work together to assist joint clients, FSR currently has an independent client base of approximately 30 clients. An example of a recent FSR engagement is a year-long project for a major health care product and pharmaceutical company in which FSR benchmarked the opinion of the company held by physicians, other health care providers, government decisions makers and consumers. The client uses the results as a basis for refining their public affairs and public relations programs.

B&A professionals have represented a number of industries including automobiles, manufacturing and transportation, chemicals and agribusiness, retailing and franchising, and medical device and biotechnology. B&A has been retained in class actions and individual lawsuits involving toxic torts, product liability, antitrust enforcement, employment discrimination and securities litigation.

The Company believes that the ability of the different elements of the Public Affairs and Opinion Research Group to offer integrated services is increasingly important, particularly in attracting larger projects dealing with complex issues, typically where governmental decisions intersect with business plans and corporate objectives. Two such engagements are as follows:

- o During the health care debate in President Clinton's first term, the Public Affairs and Opinion Research Group worked with a coalition of companies to highlight the positive contributions in the delivery of health care being made by the companies in this coalition. Extensive public opinion polling was conducted in order to understand the political climate and attitudes about health care, and then a public relations strategy was created and implemented through providing materials to and briefing the Washington, D.C.-based media as well as journalists across the country.
- o Several foreign governments have engaged PT and FSR to help understand more thoroughly American attitudes about, and perceptions of, their countries and to develop outreach programs designed to foster a climate of better understanding in the United States of their countries' history and culture.

Terms of Engagement. PT and B&A bill the majority of their clients on a time and materials reimbursement basis. In certain instances an advance payment of projected billings is required. Typically a budget range or estimate is provided to a client at the beginning of a project. The client is provided periodic updates both on the progress of the project and the status of time expended. Invoices for time charges and out-of-pocket expenses are then billed on a monthly basis. PT conducts an annual review of its billing rates and seeks to reflect the value of its services, within the range of hourly rates generally charged in the public affairs industry.

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FSR bills on a project fee basis that is based on the number of interviews and the length of an opinion poll. There are also fixed fees for focus groups. Depending on the difficulty or complexity of reaching a particular group of respondents, the fee will vary.

For the years ended December 31, 1995, 1996 and 1997, revenues from the Public Affairs and Public Opinion Group were 34.2%, 36.8% and 35.8%, respectively, of the Company's total revenues. For the same periods, 64.3%, 50.7% and 56.8%, respectively, of the revenues of this group came from clients who had been clients in the previous year.

INTEGRATION OF ALL COMPANY SERVICES

Just as PT and FSR have offered joint services to attract more complex and larger projects, the Government Relations Group and the Public Affairs and Opinion Research Group have been working together to provide clients with coordinated government relations, public affairs and opinion research services. The Company believes that it is the only independent company to provide such comprehensive, integrated, strategic services. For the years ended December 31, 1995, 1996 and 1997, the Company provided professional services from both operating groups to 14, 20 and 23 clients, respectively. Total revenues from those clients during those years were approximately \$8.6 million, \$10.0 million and \$10.0 million, respectively, or 23.7%, 27.5% and 24.3%, respectively, of the Company's total revenues. Further, one-third of FSR clients at June 30, 1998 are also clients of other operating units of the Company.

Clients using the full services of the Company are typically those faced with large and immediate threats to, or opportunities for, their business due to a pending government decision and that have a significant financial interest in the outcome of the decision. Examples of such coordinated efforts are:

- o Working with a coalition of business and professional associations to assist them in advancing tort reform in the United States Congress;
- o Establishing and implementing a comprehensive government relations and public affairs strategy to overturn a Presidential rescission of a multibillion dollar defense system; and
- o Working with the Taiwan Research Institute in order to ensure that Taiwan and the Taiwan business community are not disadvantaged by the legal status of Taiwan, including, among other assignments, advocating that the United States Government grant permission for President Lee of Taiwan to enter the United States to receive an honorary degree at Cornell University, his alma mater.

COMPETITION

The market for government relations and public affairs and opinion research services is intensely competitive, highly fragmented and subject to rapid change as the policies and politics of the nation's capital change. In general, the

Government Relations Group competes with (i) law firms which have government relations capacities of their own but which may refer clients to others for public affairs or opinion research; (ii) independent firms that offer fewer than all of the services provided by CCI (e.g., government relations or public affairs or opinion research); (iii) smaller firms that have found or created a specialized niche in the marketplace; (iv) start-up companies just entering the market; (v) industry or trade associations with in-house capabilities; and (vi) subsidiaries of large corporations which do business in one or more of the service sectors of CCI.

PT faces competition primarily from the Washington, D.C. offices of large international advertising and public relations firms, often headquartered outside the United States. Most PT executives are former employees of such firms.

FSR faces competition primarily from small, independent public opinion research firms based in Washington, D.C.

The Company is unaware of any other company like B&A that is focused solely on litigation communications, although the crisis communications divisions of larger, multi-focused public relations firms offer these services. The Company believes that B&A is positioned to develop this market niche.

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The Company believes that the principal competitive factors in its markets are reputation, capability for strategic thought, management experience, proven track record of accomplishment, well known and respected senior professionals and quality of services provided. While some competitors may offer services at a lower fee than the Company, the Company believes they are unable to provide the scope and depth of services that the Company provides its clients.

HUMAN RESOURCES

As of June 30, 1998, the Company had 192 full-time employees, including 73 senior professionals engaged in client services, and 60 administrative personnel. Client service personnel are organized into teams on all client projects. The Company seeks to hire professionals with experience in policy-making branches of the government and in business as well. Recent hires for C&A include the Special Assistant to the President for Legislative Affairs from the Clinton White House and the Associate Administrator for Legislative Affairs for NASA. The Company's turnover in professional employees was 9.9% for the twelve months ending June 30, 1998, which the Company believes compares favorably to its competitors. The Company regards its relationship with its employees as excellent.

FACILITIES

The Company leases 79,845 square feet of office space for its Washington, D.C. headquarters from an independent third party. The lease expires March 31, 2006, and the annual rent is approximately \$2.3 million. The Company also leases office space in Boston, Chicago and Sacramento. The Company believes that its facilities and its ability to acquire additional facilities are adequate for its present operations and projected growth.

LEGAL PROCEEDINGS

The Company is involved in litigation from time to time in the ordinary course of business. In management's opinion, the litigation in which the Company is currently involved, individually, and in the aggregate, is not material to the Company's financial condition or results of operation.

REGULATION

Because of the nature of the Company's business, the Company, its directors and employees are subject to various laws and regulations requiring disclosure of activities and limiting political contribution. In particular, the Company is subject to the Lobbying Disclosure Act of 1995 (the 'Disclosure Act'), as amended by the Lobbying Disclosure Technical Amendments of 1997, which requires the disclosure of lobbying activities by individuals and companies that engage in communications with the Federal Government. Anyone who communicates with covered Legislative or Executive Branch officials regarding federal legislation, programs or policies may be required to register as a lobbyist with the Clerk of the House (the 'Clerk') and the Secretary of the Senate (the 'Secretary'). The Company, its directors and employees are also subject to the Foreign Agents Registration Act of 1938, as amended ('FARA'), the Federal Election Campaign Act (the 'Campaign Act') and federal bribery laws. Rules of the Legislative and Executive Branches of the Government limit gifts to members of Congress and employees of the Executive Branch.

The Company's Compliance Program

The Company devotes substantial resources to ensuring full compliance by all employees with the letter and the spirit of the laws and regulations discussed below. The centerpiece of these efforts is the Company's written Principles of Professional Conduct, which is binding on all employees. All employees acknowledge in writing their knowledge of and compliance with the employee code of conduct. Further, the Company has an extensive and ongoing program of training in ethical matters. The Company's Ethics Manual is a document of 130 pages prepared and updated annually by the firm's Ethics Counsel, which is a major law firm. This manual sets forth the rules and regulations governing the Company's employees' activities, with examples of

applications to the Company's business activities. In addition, the Company holds an annual ethics seminar. This event is held away from the Company's offices, and attendance is mandatory. At the seminar, Ethics Counsel and others review

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changes that have taken place in the regulatory framework and discuss specific cases and questions that have arisen or might arise in the future. Finally, all employees have access to, and are encouraged to use, the resources of the Company in resolving questions that arise in practice. The general counsel of the Company, the general counsel of C&A, and outside counsel are available to provide assistance and guidance as to questions of compliance that arise.

The Disclosure Act

Registration Requirements. Under the Disclosure Act, the Company must file a single registration on behalf of its employees who are lobbyists for each client on whose behalf the employees act as lobbyists. 'Lobbying activities' are defined under the Disclosure Act as lobbying contacts and efforts in support of such contacts, including preparation and planning activities, research and other background work if it is intended, at the time it is performed, for use in lobbying contacts; and coordination with the lobbying activities of others for a client. A 'lobbying contact' is a communication, either oral, written or electronic, with Members of Congress or their personal and committee staffs, or with the President, Vice President, and certain Executive Branch appointees, regarding: (i) the formulation of Federal legislation, rules, regulations, an Executive Order or policy; (ii) the administration of a Federal program or policy, including the negotiation or award of a Federal contract, grant, loan, permit, program or license; or (iii) the nomination of anyone subject to Senate confirmation.

The registrations which the Company files must include considerable information about its clients and activities, including (i) the name, address and principal place of business of each of the Company's clients, and a general description of each client's business or activities; (ii) the name, address, principal place of business and amount of money spent by anyone, other than the client, who contributed more than \$10,000 in a six-month period to the lobbying activities of the Company on behalf of the client, and who played a major role in planning, supervising or controlling such activities; (iii) the name, address, and principal place of business, amount of any contribution of more than \$10,000 to the lobbying activities of the Company, and approximate percentage of equity ownership in the client, if any, of any foreign entity that either owns at least 20% of a client or of an organization that contributes over \$10,000 in a six-month period to a client's lobbying efforts, plays a major role in such activities or is an affiliate of the client (such as the foreign parent

or subsidiary of a domestic company) with a direct financial interest in the outcome of the lobbying activity; and (iv) a list of the general issue areas in which the Company expects to lobby and specific issues, to the extent practicable, that have already been lobbied on behalf of the client. The Company must also disclose the former position of any lobbyist employee who has served as a covered Executive Branch official or a covered Legislative Branch official within two years of becoming a lobbyist for the client.

The Disclosure Act requires that the Company file semiannual reports which set forth any changes to the initial registration and, for each general issue area in which the Company engaged in lobbying activities, the following information: (i) a list of the specific issues that were the subject of significant lobbying activities, including, to the extent possible, bill numbers and references to specific executive branch actions; (ii) a statement of the houses of Congress and the Executive Branch agencies contacted; (iii) a list of the employees of the Company who acted as lobbyists on behalf of the client; and (iv) a description of the interest, if any, of any foreign entity identified in the Company's initial registration.

Public Disclosure and Identification of Clients. The Disclosure Act requires that a list of all registered lobbyists, firms and clients, registrations and filings be made available to the public. Further, certain officials of Congress compile and summarize the information contained in registrations and issue reports every six months.

In addition to the registration and reporting requirements discussed above, the Disclosure Act mandates that when any person or entity registered under the Disclosure Act makes a written lobbying contact with a covered Legislative Branch or covered Executive Branch official on behalf of a 'foreign entity,' the person or entity must identify the client, state that it is considered a foreign entity under the Disclosure Act, and state whether the person making the contact is registered on behalf of that client. The person must also identify any other foreign entity that has been identified and reported under the Disclosure Act's reporting requirements as having a direct interest in the outcome of the lobbying activity.

The Disclosure Act prohibits a company from using appropriated funds to pay any person for influencing or attempting to influence an employee of any Federal agency, a member of Congress or an employee of Congress

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in connection with obtaining Federal contracts, grants, loans, loan insurance and guarantees and any cooperative agreements ('award'). An applicant for an award is required to certify on a form filed with the appropriate federal agency that it has not lobbied with appropriated funds for such award. Applicants for

awards are also required to name any registrant under the Disclosure Act who had made lobbying contacts on behalf of the applicant with regard to such award using non-appropriated funds.

Enforcement. The Clerk and the Secretary are required to notify registrants in writing that they have failed to comply with the Disclosure Act. If a registrant does not respond within 60 days, these officials will notify the United States Attorney for the District of Columbia. Registrants who fail to correct a defective filing within 60 days after being notified, or fail to comply with other provisions of the Disclosure Act, would face a civil fine of up to \$50,000.

Foreign Agents Registration Act

FARA imposes registration and semi-annual reporting requirements on any person who, on behalf of a foreign principal, engages in certain specific activities in the United States. The Company must register and file semi-annual reports under FARA. Covered activities include, among others, engaging in 'political activities,' broadly defined to include any activity intended to persuade an agency or official of the United States Government, or a section of the public, with reference to: (i) the foreign policies of the United States; (ii) the domestic policies of the United States; or (iii) the political or public interests, policies or relations of the government of a foreign country, or of a foreign political party. Lobbying with respect to pending or proposed legislation is considered political activity and requires registration and reporting under FARA. Moreover, FARA guidelines list the following as political activities: (i) investment and trade promotion; (ii) 'image making' public relations to enhance or change the public perception of a foreign government or leader; (iii) arranging meetings, planning itineraries or providing forums for visiting officials (foreign principals) to pursue their programs; (iv) delivering or arranging lectures, speeches, press conferences, or media interviews that involve a political or public interest; and (v) producing or distributing press releases, newsletters or other information that fall within FARA's definition of political propaganda.

Willful violations of, and failure to comply with, FARA may result in criminal fines of up to \$10,000 and/or imprisonment of up to five years or criminal fines of up to \$5,000 and/or imprisonment of up to six months, depending on the nature of the violation. In addition, the Attorney General may seek an injunction to prevent a person from continuing to act as an agent of a foreign principal or to order compliance with FARA's requirements.

Federal Legislative and Executive Branches Gift Rules

Legislative Branch. Both the United States House of Representatives and the United States Senate have applicable rules that limit the types of benefits

that members of Congress and their staffs may receive from corporations, firms, organizations, lobbyists and other entities or individuals. The House of Representatives rules prohibit the receipt of any gift unless an exception is applicable. The exceptions include: (i) food and refreshments of nominal value; (ii) reasonable travel, lodging and related expenses in connection with official duties; and (iii) unsolicited charity event tickets provided by the event's sponsor. The Senate rules permit its members and their staffs to receive gifts provided they are worth less than \$50 individually and, for gifts worth \$10 or more, worth less than \$100 in the aggregate per year. Exceptions similar to those applicable to the House of Representatives apply to the Senate.

Both the House of Representatives and the Senate rules prohibit lobbyists and foreign agents from, among other things: (i) contributing to a member's or staff's legal expense funds; (ii) contributing to an entity controlled by a member or staff person; (iii) contributing to a charity at the direction of a member or staff person; and (iv) paying for travel expenses. Although these rules apply only to members of Congress and their staffs, violations of these rules could make a donor a party to an ethics violation by a member or staff person.

Executive Branch. The Executive Branch of the Government also has applicable rules that limit the types of gifts that its employees may receive from 'prohibited sources.' The Company and its employees could be such a source. The Executive Branch Rules permit its employees to receive gifts provided they are worth less than \$20 individually and provided they are worth less than \$50 in the aggregate. The rules also allow the receipt

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of incidental, modest gifts, such a food and refreshment offered other than as part of a meal. Although these rules apply only to employees of the Executive Branch, violation of these rules could result in the employee being subject to disciplinary action by the employee's agency.

Federal Election Campaign Act

The Campaign Act limits individuals in making political contributions to candidates in an election for federal offices. In addition, a corporation may not, with limited exceptions, make contributions in connection with any federal election. The term 'contribution' contains certain de minimus exclusions and is defined to include: (i) any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office; and (ii) the payment by any person of compensation for the personal services of another person which are rendered to a political committee without charge for any purpose.

One of the exceptions allowing a corporation to make these political contributions allows corporations to establish and administer an employee-funded political action committee ('PAC') through which it may make contributions. PACs are subject to reporting requirements and to penalties for non-compliance. The Company has a PAC, which is funded by voluntary contributions by senior professionals of the Company, and makes no direct contributions to candidates for office. Corporations may also make unlimited 'soft-money' contributions to political party committees for purposes unrelated to influencing a federal election. Willful violations of, and failure to comply with, the Campaign Act may result in fines of up to \$25,000 or 300% of any contribution involved in such violation.

Federal Bribery Laws

The Company and its employees are subject to the federal bribery laws, which prohibit giving, offering or promising to give anything of value to any public official (including members of Congress, their staffs and federal agency employees) with the intention to, among other things, influence any official act. Violations of these laws could result in civil fines and/or imprisonment of up to 15 years

Compliance

The Company has not received a notification with regard to a violation or investigation under any of the foregoing regulatory requirements.

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MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The directors and executive officers of the Company and their ages as of July 20, 1998 are set forth below. Directors and executive officers of CCI are elected to serve until they resign, are removed, are otherwise disqualified to serve, or until their successors are elected and qualified. The Company's Board of Directors is divided into three classes serving staggered three-year terms. The Company's Certificate of Incorporation fixes the number of directors at nine. There are currently five Company directors. It is anticipated that at least three non-employee directors will be named to serve upon completion of the Offering. Executive officers are generally appointed at the Board's first meeting after each annual meeting of stockholders.

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TERM AS

NAME	AGE	POSITION(S)	DIRECTOR	EXPIRES
<S>	<C>	<C>	<C>	
Gerald S. J. Cassidy.....	58	Chairman, Chief Executive Officer and Director of the Company		2001
James P. Fabiani.....	50	Vice Chairman and Director of the Company and Chairman and Chief Executive Officer of C&A		2001
Lester G. Fant III.....	57	General Counsel and Director		2000
John T. Hendrick.....	45	Chief Financial Officer and Director		1999
Joseph L. Powell.....	54	Chairman and Chief Executive Officer of PT and Director		2000
John R. Silber.....	73	Director(1)		2000
Michael J. P. Boland.....	45	President and Chief Executive Officer of Boland & Madigan		
Keith Frederick.....	43	President of FSR		
Peter T. Madigan.....	39	Chief Operating Officer of Boland & Madigan		
Martin A. Russo.....	54	Vice Chairman and Chief Operating Officer of C&A		
Greg Schneiders.....	50	Chairman and Chief Executive Officer of FSR		
Sheila Tate.....	56	President of PT		

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(1) Dr. Silber has agreed to become a director of the Company upon completion of the Offering.

Gerald S. J. Cassidy has served as Chairman, Chief Executive Officer and director of CCI since its formation in 1991. He founded C&A in 1975. He also serves on the management committee of Galway Partners, L.L.C., a former affiliate of the Company. Mr. Cassidy is a member of the Board of Directors of Seragen Inc., a biotechnology company, and the Board of Trustees of Villanova University. Mr. Cassidy earned his B.S. degree from Villanova University and his J.D. degree from Cornell University School of Law.

James P. Fabiani has served as Vice Chairman and director of CCI since its formation in 1991. Mr. Fabiani also serves as Chairman and Chief Executive Officer of C&A. Mr. Fabiani is a member of the World Board of Governors of the United Services Organization. Mr. Fabiani earned his B.A. degree from Harvard College and his M.Ed. degree from the University of Massachusetts, Amherst.

Lester G. Fant III has served as Chairman of Galway Partners, L.L.C. and General Counsel and director of the Company since July 1996. Prior to joining the Company, Mr. Fant was a partner at Sidley & Austin in Washington, D.C. Mr. Fant earned his B.A. degree from Vanderbilt University and his L.L.B. from

Harvard University.

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John T. Hendrick has served as Chief Financial Officer and director of the Company and a managing director of Galway Partners, L.L.C. since 1996. Mr. Hendrick is a certified public accountant with 25 years of business experience. Prior to joining CCI, Mr. Hendrick was a general partner with Avalon Ventures, a private venture capital partnership, from 1987 to 1996. Mr. Hendrick earned a B.B.A. degree in accounting from McMurry University.

Joseph L. Powell has been a director of the Company since July 1991. He has served as Chairman and Chief Executive Officer of PT since its creation in 1991. Prior to joining the Company, Mr. Powell was Chairman and Chief Executive Officer of Powell Adams & Rinehart, a public affairs firm. Mr. Powell was formerly the press secretary to President Carter. Mr. Powell earned his B.A. degree from Georgia State University and completed course work for a combined M.A./Ph.D. in political science at Emory University.

John R. Silber will serve as a non-employee director of the Company upon completion of the Offering. Dr. Silber is the Chancellor of Boston University and has been a member of its Board of Trustees since 1971. Dr. Silber has been a member of the Board of Directors of Seragen Inc., a biotechnology company since 1987. He is also a director of U.S. Surgical Corporation, a medical products manufacturer. Dr. Silber received his B.A. degree from Trinity University and his M.A. and Ph.D. degrees from Yale University.

Michael J. P. Boland co-founded Boland & Madigan in 1987 and has served as its President and Chief Executive Officer since its inception. He also served as a director of the Company until July 1998. Mr. Boland is a member of the Board of Directors of the National Energy Resources Organization. He received his B.A. degree from the University of Notre Dame and his J.D. degree from Gonzaga University School of Law.

Keith Frederick co-founded FSR in 1989 and has served as its President since its inception. He also served as a director of the Company until July 1998. He received his B.A. degree from George Washington University and completed course work in quantitative political science at Clemson University and Virginia Polytechnic Institute.

Peter T. Madigan co-founded Boland & Madigan in 1987 and has served as its Chief Operating Officer since its inception. He also served as a director of the Company until July 1998. Mr. Madigan is a member of the Board of Directors of the International Republican Institute. He received his B.A. degree from the University of Maine.

Martin A. Russo has served as Vice Chairman of C&A since 1993 and its Chief Operating Officer since 1997. He also served as a director of the Company until July 1998. Immediately prior to joining the Company, Mr. Russo served 18 years in the House of Representatives. He received his B.A. degree from DePaul University and his J.D. degree from DePaul University College of Law.

Greg Schneiders co-founded FSR in 1989 and has served as its Chairman and Chief Executive Officer since its inception. He also served as a director of the Company until July 1998. He received his B.A. degree from Georgetown University.

Sheila Tate has served as PT's President since its creation in 1991. Ms. Tate was the press secretary to First Lady Nancy Reagan from 1981 until 1985, and the press secretary for Vice President Bush's 1988 presidential campaign. She earned her B.A. degree from Duquesne University.

COMMITTEES OF THE BOARD OF DIRECTORS

Upon completion of the Offering, the Board of Directors will establish two committees, an audit committee and a compensation committee. The audit committee, will, among other responsibilities, recommend the firm to be appointed as independent accountants to audit the Company's consolidated financial statements, discuss the scope and results of the audit with the independent accountants, review with management and the independent accountants the Company's interim and year-end operating results, consider the adequacy of the internal accounting controls and audit procedures of the Company and review the non-audit services to be performed by the independent accountants. A majority of the directors on the audit committee will be non-employee directors. The compensation committee will review and recommend the compensation arrangements for management of the Company and administer the Plan. A majority of the directors on the compensation committee will also be non-

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employee directors. The Board of Directors may from time to time establish certain other committees to facilitate the management of the Company.

DIRECTOR COMPENSATION

Directors who are officers or employees of the Company or any subsidiary of the Company do not receive any additional compensation for serving on the Board of Directors or any of its committees. Non-employee directors will be paid \$20,000 per year for their services as directors of the Company. In addition, non-employee directors will receive a fee of \$2,000 for each Board of Directors and committee meeting attended. Directors who are not employees of the Company will also receive on initial election to the board a one-time grant of an option to purchase that number of shares of the Common Stock which equals \$100,000

divided by the fair market value of the Common Stock on the day of the grant. Based upon the initial public offering price of \$ per share, each initial non-employee director will receive options to purchase shares of Common Stock. These options will have a term of ten years and will be immediately exercisable. See '--Compensation Plans--1998 Stock Option and Incentive Plan.' All directors will be reimbursed for travel expenses incurred in connection with attending board and committee meetings as directors of the Company.

EXECUTIVE COMPENSATION

The following table shows, for the fiscal year ended December 31, 1997, compensation paid to or earned by the Company's five most highly compensated employees (the 'Named Executive Officers').

SUMMARY COMPENSATION TABLE

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NAME AND POSITION(S) AWARDS(1)	ALL OTHER BONUS AND COMPENSATION OTHER ANNUAL AND RESTRICTED SALARY COMPENSATION STOCK		
	<C>	<C>	<C>
Gerald S. J. Cassidy..... Chairman and Chief Executive Officer of the Company	\$757,320	\$120,000	
James P. Fabiani..... Vice Chairman of the Company and Chairman and Chief Executive Officer of C&A	711,552	140,000	(2)
Joseph L. Powell..... Chairman and Chief Executive Officer of Powell Tate	482,712	107,000	(3)
Lester G. Fant III(4)..... General Counsel	549,996	20,000	
Martin A. Russo(4)..... Vice Chairman and Chief Operating Officer of C&A	386,004	90,000	(5)

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- (1) For options granted which will be effective in connection with the Offering, see '--Compensation Plans-- 1998 Stock Option and Incentive Plan.'
- (2) Mr. Fabiani will receive 330,000 shares of Common Stock pursuant to the Deferred Plan, giving effect to the Recapitalization. In this connection, Mr. Cassidy has surrendered 330,000 shares of Common Stock to the Company.
- (3) Pursuant to the terms and conditions of the Deferred Plan, Mr. Powell will

receive 1,050,000 shares of the Common Stock, giving effect to the Recapitalization. See '--Compensation Plans--Deferred Stock Compensation Plan.'

- (4) During 1997, the Company issued to certain of its employees shares of the Restricted Class B Common Stock subject to certain significant restrictions. These shares of the Restricted Class B Common Stock are generally non-transferable and are forfeitable upon termination of employment for any reason other than death or disability. Because of these restrictions, no amounts have been recorded as compensation in the Company's financial statements relating to these grants of shares. Messrs. Fant and Russo received 3,333 and 4,444 shares of the Restricted Class B Common Stock, respectively, in 1997. In connection with the Offering, all of such shares will be exchanged for the right to receive 49,995 and 66,660 shares of Common

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Stock, respectively, pursuant to the Deferred Plan. See '--Compensation Plans--Deferred Stock Compensation Plan.'

- (5) Prior to June, 1998, the Company reimbursed Mr. Russo for approximately \$6,000 in monthly rent on a Washington, D.C. townhouse.

COMPENSATION PLANS

Employment Agreements

Gerald S. J. Cassidy has entered into an employment contract with the Company, which commenced July 1, 1998 and ends five years thereafter. Mr. Cassidy will be paid an annual base salary at the rate of \$757,320 per year for serving as Chairman of the Board and Chief Executive Officer of the Company. The Company may terminate the employment contract with or without 'cause' upon affirmative vote of the Board of Directors. For purposes of the employment contract, cause includes (i) committing a material breach under the employment contract, (ii) engaging in serious misconduct in the discharge of required duties or a substantial and continuing failure to perform required duties, or (iii) being convicted of a felony. If the Company terminates the agreement for cause, Mr. Cassidy's salary and benefits will be paid only through the date of termination. If the Company terminates the employment contract other than for cause, the Company will pay Mr. Cassidy a severance payment equal to one month's salary for each year of employment completed under the employment contract. Mr. Cassidy has agreed that during the term of his employment, and for a one-year period following a termination of employment, he will not work, own, manage, control or be employed by an entity which (i) has as a client any person or entity which was a client of the Company at any time during the twelve months prior to termination of employment, or which was solicited by the Company to become its client during that period, and which provides to the client the same

type of consulting services the Company was providing or offering to provide to the client; or (ii) which employs or retains as a consultant any person who was an employee or consultant of the Company at any time during the twelve months prior to the Company's termination, if the Company directly or indirectly induced such person to become so employed or retained (the 'Restrictive Covenant').

James P. Fabiani has entered into an employment contract with the Company, which commenced July 1, 1998 and ends five years thereafter. Mr. Fabiani will be paid \$711,552 per year for serving as Vice Chairman of the Company and Chairman and Chief Executive Officer of C&A. The Company may terminate this agreement, with or without cause, at any time. If the Company terminates the agreement for cause, Mr. Fabiani's salary and benefits will be paid only through the date of termination. If the Company terminates the employment contract other than for cause, the Company will pay Mr. Fabiani a severance payment equal to one month's salary for each year of employment completed under the employment contract. Mr. Fabiani also has agreed to the Restrictive Covenant. For certain additional rights to receive stock granted to Mr. Fabiani for past service as an officer and director of the Company, see '--Deferred Stock Compensation Plan.'

Joseph L. Powell has entered into an employment contract with the Company, which commenced July 1, 1998 and ends five years thereafter. Mr. Powell will be paid \$482,712 annually for serving as Chairman and Chief Executive Officer of PT. The Company may terminate this agreement, with or without cause, at any time. If the Company terminates the agreement for cause, Mr. Powell's salary and benefits will be paid only through the date of termination. If the Company terminates the employment contract other than for cause, the Company will pay Mr. Powell a severance payment equal to six month's salary. Mr. Powell also has agreed to the Restrictive Covenant. For certain additional rights to receive stock granted to Mr. Powell, see '--Deferred Stock Compensation Plan.'

Lester G. Fant III has entered into an employment contract with the Company, which commenced July 1, 1998 and ends five years thereafter. Mr. Fant will be paid \$549,996 annually for serving as General Counsel of the Company. The Company may terminate this agreement, with or without cause, at any time. If the Company terminates the agreement for cause, Mr. Fant's salary and benefits will be paid only through the date of termination. If the Company terminates the employment contract other than for cause, the Company will pay Mr. Fant a severance payment equal to six month's salary. Mr. Fant also has agreed to the Restrictive Covenant.

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Martin A. Russo has entered into an employment contract with the Company, which commenced July 1, 1998 and ends five years thereafter. Mr. Russo will be paid \$386,004 annually for serving as Vice Chairman and Chief Operating Officer

of C&A. Mr. Russo's base salary may be increased further at the discretion of the Board of Directors. The Company may terminate this agreement, with or without cause, at any time. If the Company terminates the agreement for cause, Mr. Russo's salary and benefits will be paid only through the date of termination. If the Company terminates the employment contract other than for cause, the Company will pay Mr. Russo a severance payment equal to one month's salary for each year of employment completed under the employment contract. Mr. Russo also has agreed to the Restrictive Covenant.

Deferred Stock Compensation Plan

As of June 30, 1998, certain of the Company's stockholders, including the Named Executives other than Mr. Cassidy, owned shares of the Company's Restricted Class B Common Stock. In connection with the Offering, the Company established the Deferred Plan for the benefit of holders of shares of the Restricted Class B Common Stock who surrendered such shares to the Company. Pursuant to the Deferred Plan, the Company has agreed to transfer, upon the fifth anniversary of such surrender, to each such person a number of shares of the Common Stock comparable to the number of the Restricted Class B Common Stock shares that such person surrendered. Shares of Common Stock may be distributed earlier in the event of (i) such person's death or disability or (ii) the occurrence of a secondary stock offering. Additionally, Mr. Powell has surrendered options to receive shares of the Class B Common Stock and will have transferred to him, on the same terms and conditions of other participants in the Deferred Plan, 1,050,000 shares of the Common Stock, giving effect to the Recapitalization. Mr. Fabiani will receive 330,000 shares of Common Stock pursuant to the terms and conditions of the Deferred Plan. In this connection, Mr. Cassidy has surrendered 330,000 shares of the Common Stock to the Company. In connection with the creation of the Deferred Plan, the Company has transferred 3,600,000 shares of the Common Stock to the grantor trust, giving effect to the Recapitalization.

1998 Stock Option and Incentive Plan

The Plan provides for the grant of incentive stock options within the meaning of Section 422 of the Code, non-qualified options, stock appreciation rights, restricted stock and restricted stock units to directors, executives and other employees of the Company and any of its subsidiaries or of any service provider, as defined, whose participation in the Plan is determined to be in the best interest of the Company. Giving effect to the Recapitalization, the Plan authorizes the issuance of up to 1,900,000 shares of the Common Stock (subject to anti-dilution adjustments in the event of a stock split, recapitalization or similar transaction). The Board of Directors has the full power and authority to take all actions and to make all determinations required under the Plan, but may delegate that authority to its compensation committee, in which case the compensation committee's interpretations of the Plan and its determinations

pursuant to the Plan will be final and binding on all parties claiming an interest under the Plan. The Plan was adopted by the Board of Directors on July 15, 1998. The Plan will become effective in connection with the closing of the Offering. The term of the Plan is unlimited; however, no incentive stock options may be granted under the Plan on or after July 1, 2008.

Directors who are not employees of the Company, including the initial non-employee directors of the Company who will become directors immediately after the closing of the Offering, will receive on initial election to the board a number of stock options such that the fair market value of the underlying Common Stock on the day of the grant is \$100,000. Based upon the initial public offering price of \$ per share, each initial non-employee director will receive options to purchase shares of the Common Stock. These options will have a term of 10 years and will be immediately exercisable.

The option exercise price for incentive stock options granted under the Plan may not be less than 100% of the fair market value of the Common Stock on the date of grant of the option. Options may be exercised up to 10 years after grant, except as otherwise provided in the particular option agreement. Payment for shares purchased under the Plan may be made in cash, cash equivalents or through tender to the Company of shares of the Common Stock provided that certain requirements are satisfied. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of stock of the Company, however, the exercise price of any incentive stock option granted must equal at least 110% of the fair market value on the grant date and the maximum term of an incentive stock option must not exceed five years.

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The Plan also authorizes the grant of stock appreciation rights whereby the grantee of such a right may receive payment from the Company of an amount equal to the excess of the fair market value of the shares of the Common Stock subject to the right on the date the right is exercised over the exercise price of such right. A particular award agreement may permit payment by the Company either in shares of the Common Stock, cash or a combination thereof.

Options granted under the Plan are generally not transferable except that non-qualified options may, in certain circumstances, be transferred to family members of the grantee. If any optionee's employment with the Company or a service provider terminates by reason of death, options will fully vest and may be exercised within one year after such death. If the optionee's employment terminates by reason of disability, options will continue to vest and shall be exercisable to the extent vested for a period of one year after the termination of employment. If the optionee's employment terminates for any other reason, options not vested will terminate and vested options held by such optionee will terminate 90 days after such termination.

The Plan authorizes the grant also of restricted stock or restricted stock units, which are rights to receive shares of the Common Stock in the future. Both the restricted stock and restricted stock units will be subject to restrictions and risk of forfeiture. Such restrictions may include not only a period of time of further employment or service to the Company or a service provider but the satisfaction of individual or corporate performance objectives. Performance objectives may include, among others, the trading price of the shares of the Common Stock, market share, sales, revenue growth, cost reduction, earnings per share, and return on equity. Unless the particular award agreement states otherwise, the holders of restricted stock shall have the right to vote such shares of the Common Stock and the right to receive any dividends declared and paid with respect to such stock, but the holders of restricted stock units shall have no such rights.

If the grantee's employment with the Company or a service provider terminates by reason of death, all restricted stock and restricted stock units granted under the Plan shall fully vest. If the grantee's employment terminates by reason of disability, the grantee's restricted stock or restricted stock units shall continue to vest for a period of one year. If the grantee's employment is terminated for any other reason, the restricted stock or unrestricted stock units shall be forfeited.

In the event of the dissolution or liquidation of the Company or upon a merger, consolidation, or reorganization of the Company in which the Company is not the surviving entity, or upon a sale of substantially all of the assets of the Company or upon any transaction (including one in which the Company is the surviving entity) that results in any person or entity owning 50% or more of the combined voting power of all classes of securities of the Company, outstanding restricted stock and restricted stock units shall vest and all options and stock appreciation rights become immediately exercisable 15 days prior to the consummation of a change in control, for a period of 15 days, unless provision is made in writing in connection with such transaction for the continuation of the Plan or the assumption or substitution of such options, restricted stock and restricted stock units.

The Board of Directors may amend, suspend or terminate the Plan with respect to the shares of the Common Stock as to which grants have not been made. However, the Company's stockholders must approve any amendment that would cause the Plan not to comply with the Code.

It is anticipated that the Board of Directors will grant options to certain executive officers under the Plan before the closing of the Offering.

EMPLOYEE STOCK OWNERSHIP PLAN

In 1989, the Company adopted the ESOP, a tax-qualified employee stock ownership plan and trust for the benefit of current and former employees of the Company who satisfy certain requirements. On October 2, 1989, the newly-formed ESOP purchased 1,222,830 shares of the Company's common stock at a price of \$12.27 per share, or \$15.0 million in the aggregate, giving effect to the Recapitalization. A second ESOP transaction took place on March 9, 1994, when the ESOP purchased an additional 2,231,415 shares of the Company's outstanding common stock at a price of \$8.07 per share, or \$18.0 million in total, giving effect to the Recapitalization. Both ESOP transactions were financed by back-to-back loans pursuant to which the Company borrowed and then relented to the ESOP the necessary funds. The ESOP has received the funds needed to service these loans through

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contributions by the Company and dividends paid on the shares of Company stock owned by the ESOP. As of June 30, 1998, the 1989 ESOP indebtedness had been repaid in full; an unpaid principal balance of \$12.2 million remained with respect to the 1994 ESOP loan.

As of December 31, 1997, there were 251 participants in the ESOP, and the ESOP owned 3,454,245 shares of the Company's Common Stock, giving effect to the Recapitalization. Of these shares, 1,995,570 were allocated to participants' accounts. The remainder were unallocated, held in a suspense account securing the ESOP's debt. The ESOP trustee, presently Marine Midland Bank, generally has discretion as to the manner in which shares of the Company's stock held by the ESOP are to be voted. However, each participant in the ESOP has the right to direct the trustee as to the exercise of voting rights attributable to the shares of Company stock allocated to his or her account with respect to the approval or disapproval of any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution or sale of substantially all assets of a trade or business. The trustee has discretion with respect to the voting of allocated shares as to which the trustee does not receive timely instructions. The Company has indemnified Marine Midland Bank (and its employees and agents) against any loss that may arise from actions taken, or omitted to be taken, by Marine Midland Bank (or its employees or agents) as trustee, except to the extent that such loss is finally determined to have resulted from the gross negligence or willful misconduct of an indemnitee.

The ESOP provides for the distribution to each participant of the shares of Company stock allocated to his or her account or cash equal to the fair market value of those shares following the termination of his or her employment with the Company (subject to, inter alia, certain vesting provisions in the case of a participant who terminates his or her employment after fewer than five years of service for a reason other than death, total and permanent disability or attainment of age 65). In general, the distribution of shares allocated to a

participant's account will commence within one year after (i) the close of the plan year in which the participant separates from service on account of death, total and permanent disability or attainment of normal retirement age or (ii) the close of the fifth plan year following the end of the plan year during which the participant separates from service for any other reason. For purposes of these distribution rules, shares of stock acquired with an ESOP loan are not treated as part of a terminated participant's account until that loan has been repaid. Prior to this Offering, participants receiving shares of Company stock from the ESOP had the right to 'put' those shares to the Company. That put right applies only as to shares that are not readily tradable on an established market, and it should therefore generally cease to apply following the Offering to shares that are subject to an exemption from registration requirements under the Securities Act. Participants who are age 55 or older and have completed at least ten years of participation in the ESOP also have the right to direct that a portion of their accounts be invested in investments other than Company stock.

In connection with the Offering, the ESOP trustee intends to sell shares of the Common Stock owned by the ESOP, giving effect to the Recapitalization, with a proposed maximum aggregate offering price of \$ and to utilize the proceeds to pay the outstanding balance, accrued interest and prepayment charges on the ESOP Debt of approximately \$13.2 million. The Company does not anticipate making future contributions to the ESOP once these payments are made.

CERTAIN TRANSACTIONS

Prior to June, 1998, Gerald S. J. Cassidy and James P. Fabiani were partners in a partnership which owned a townhouse which was rented by Martin A. Russo, Vice Chairman and Chief Operating Officer of C&A. Mr. Russo paid the monthly rental of approximately \$6,000 and was reimbursed by the Company.

Mr. Fant and Mr. Hendrick have approximately an aggregate 30.0% interest in Galway Partners, L.L.C. which engages in merchant banking, investment banking and related financial services. The Company has made loans to Galway Partners, L.L.C. every month to meet operating and other expenses. Galway Partners, L.L.C. will receive 2.0% of the gross proceeds from the Offering (estimated at \$920,000) as a financial advisory fee. Galway Partners, L.L.C. will pay the legal and accounting fees of the Offering from such payment. The board has authorized the officers of the Company to prepare and submit to the board for approval a plan to distribute the Company's approximately 43% ownership interest in Galway Partners, L.L.C., to its stockholders before the closing of the Offering.

Gerald S. J. Cassidy, James P. Fabiani and Joseph L. Powell. This debt is being repaid from the proceeds received by the ESOP in the Offering. See note 10 to the Company's consolidated financial statements. Mr. Cassidy has also guaranteed the repayment of the Company's lines of credit which will be repaid by the Company from the proceeds of the Offering. See note 9 to the Company's consolidated financial statements.

In connection with the Company's acquisition of Boland & Madigan, FSR, PTC and B&A, the acquisition agreements provided for a payment of a portion of the purchase price in shares of the Common Stock based on the net income of each of the companies for specified fiscal years (the 'Earnout Payment'). Giving effect to the Recapitalization, the Company has reserved 1,557,450 shares of Common Stock for issuance in connection with the Earnout Payments for FSR and PTC. The Company has not reserved any shares of Common Stock in connection with the Earnout Payment for Boland & Madigan and B&A. In each acquisition, the Earnout Payment provides for the issuance of shares of the Common Stock for each of the first five years following the year of the acquisition. The Earnout Payment period is from 1995 to 1999 for Boland & Madigan, 1996 to 2000 for FSR, 1997 to 2001 for PTC and 1998 to 2002 for B&A.

In general, the formula for calculating the Earnout Payment is based on the net income for each of the companies and adjusted by prior payments under the applicable agreement. The annual net income of each company is multiplied by five and further multiplied by 60% (this percentage factor increases by 10% each year to reach 100% in the fifth year of the Earnout Payment period). The result is reduced by \$500,000 and by any prior Earnout Payment. This total is then divided by the fair market value per share of the Common Stock to arrive at the number of shares to be issued to the companies' principals. The per share value is subject to change each year as a result of increases or decreases in the fair market value of each share. For years subsequent to the first year, the annual net income is determined in each case based on a formula using the average annual net income of up to three years within the five-year Earnout Payment period. Boland & Madigan received Earnout Payments in shares of Common Stock valued at approximately \$753,000, \$751,000 and \$1,365,000 in 1997, 1996 and 1995, respectively. FSR, PTC and B&A have not received any Earnout Payments, as a result of the application of the Earnout Payment formula calculation.

The Company has obtained key-man life insurance on nine of its executives and one consultant. Business units of the Company are the beneficiaries of these policies. The policy covering Mr. Cassidy provides a death benefit of \$13.0 million and the beneficiary is C&A. The ESOP Debt covenants require the Company to retain \$2.0 million of any death benefit payable on Mr. Cassidy's policy, and the Company has entered into an agreement with Mr. Cassidy to use the remaining benefit to redeem shares of Common Stock owned by Mr. Cassidy's estate.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information, as of June 30, 1998, concerning the beneficial ownership of the Company's Common Stock, giving effect to the Recapitalization and as adjusted to reflect the Offering: (i) by each person (or group of affiliated persons) who is known by the Company to beneficially own more than 5% of the Common Stock; (ii) by the Selling Stockholders; (iii) by each of the directors and Named Executive Officers; and (iv) by all directors and executive officers of the Company as a group. Except as otherwise noted, the persons named in the table have sole voting and investment power with respect to all shares of the Common Stock shown as beneficially owned by them. See 'Management--Director Compensation' regarding options granted to certain directors in connection with the Offering. See 'Management--Executive Compensation' and 'Management--Compensation Plans--1998 Stock Option and Incentive Plan' for options granted to certain executive officers in connection with the Offering. Four of the Named Executives have rights to receive shares of the Common Stock pursuant to the terms and conditions of the Deferred Plan. See 'Management-- Compensation Plans--Deferred Stock Compensation Plan.'

After completion of the Offering, the directors and executive officers of the Company will beneficially own in the aggregate approximately % of the outstanding Common Stock. In the event the Underwriters' over-allotment option is exercised in full, those persons will own in the aggregate approximately % of the outstanding Common Stock. An additional % will be held in the ESOP. As a result, such persons, excluding the ESOP, if they act together, are expected to be the largest group of Company stockholders, and, as such, will have a significant impact on the election of the Company's directors and on the implementation of

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business strategies. See 'Risk Factors--Risks Related to the Company--Control By Existing Stockholders; Potential Anti-Takeover Provisions.'

<TABLE>

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COMMON NAME OF BENEFICIAL OWNER THE OFFERING(2)	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(1)		PERCENT OF COMMON STOCK OUTSTANDING PERCENT OF STOCK OUTSTANDING AFTER OFFERING	
			BEFORE THE OFFERING	AFTER OFFERING
<S>	<C>	<C>	<C>	
ESOP(3).....	3,381,855		38.0%	__%
Gerald S. J. Cassidy(4).....	2,385,750		26.8	__%

James P. Fabiani(5)(6).....	724,815	8.1	___%
Lester G. Fant III(5)(7).....	458,085	5.1	___%
John T. Hendrick(5).....	75,000	*	___%
Martin A. Russo(5).....	182,175	2.0	___%
All directors and executive officers as a group (11 Persons)(5)(8).....	4,580,130	51.4	___%

</TABLE>

*Less than one percent.

- (1) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the 'Exchange Act'), a person is deemed to be the beneficial owner, for purposes of this table, of any shares of Common Stock if such person has or shares voting power or investment power with respect to such shares, or has the right to acquire beneficial ownership at any time within 60 days from June 30, 1998. As used herein, 'voting power' is the power to vote or direct the voting of shares, and 'investment power' is the power to dispose or direct the disposition of shares.
- (2) Assumes no exercise of the over-allotment option.
- (3) The ESOP is offering _____ shares in the Offering. The address of the ESOP is c/o G. Cassidy and Associates, Inc., 700 Thirteenth Street, N.W., Suite 400, Washington, DC 20005.
- (4) Includes 1,583,850 shares held of record by Gerald S. J. Cassidy Trust, a revocable trust, of which Mr. Cassidy is the trustee. Mr. Cassidy is offering _____ shares in the Offering, but only in connection with the over-allotment option. If the over-allotment option is not exercised, he will sell no shares in the Offering and will continue to beneficially own 2,385,750 shares or _____ % of the total outstanding shares of Common Stock after the Offering. If the over-allotment option is exercised in full, he will beneficially own _____ shares or _____ % of the total outstanding shares of the Common Stock after the Offering. Mr. Cassidy's address is 700 Thirteenth Street, N.W., Suite 400, Washington, DC 20005-3960.
- (5) See 'Management--Compensation Plans--Deferred Stock Compensation Plan' for a description of the terms and conditions upon which Common Stock will be transferred to Messrs. Fabiani, Fant, Hendrick, Russo and other executive officers in the future.
- (6) Mr. Fabiani's address is 700 Thirteenth Street, N.W., Suite 400, Washington, DC 20005.
- (7) Mr. Fant's address is 700 Thirteenth Street, N.W., Suite 1160, Washington, D.C. 20005.
- (8) Does not include options for _____ shares of the Common Stock guaranteed under the Plan. See 'Management--Compensation Plans--1998 Stock Option and Incentive Plan.'

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DESCRIPTION OF CAPITAL STOCK

GENERAL

On the effectiveness of the Recapitalization in connection with the Offering, the Company's authorized capital stock will consist of 50,000,000 shares of the Common Stock and 5,000,000 shares of preferred stock, par value \$1.00 per share (the 'Preferred Stock'). At June 30, 1998, and giving effect to the Recapitalization, there were 8,910,840 shares of the Common Stock outstanding held of record by 67 stockholders and no shares of Preferred Stock outstanding.

The following summary of certain provisions of the Common Stock and Preferred Stock does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the Company's Certificate of Incorporation, its Bylaws and by the provisions of applicable law. Copies of the Certificate of Incorporation and Bylaws, giving effect to the Recapitalization, are included as exhibits to the registration statement of which this Prospectus is a part.

COMMON STOCK

Each holder of the Common Stock is entitled to one vote for each share on all matters submitted to a vote of stockholders. The Certificate of Incorporation does not provide for cumulative voting, and, accordingly, the holders of a plurality of the shares of the Common Stock entitled to vote in any election of directors may elect all of the directors. The Certificate of Incorporation provides that in the event of any liquidation, dissolution or winding up of the Company, after there is paid to or set aside for the holders of any class of stock having preference over the Common Stock the full amount to which such holders are entitled, then the holders of the Common Stock shall be entitled, after payment or provision for payment of all debts and liabilities of the Company, to receive the remaining assets of the Company available for distribution, in cash or in kind. The holders of the Common Stock have no preemptive, subscription, redemption or conversion rights. The rights, privileges, preferences and priorities of holders of the Common Stock will be subject to the rights of the holders of any shares of any series of the Preferred Stock that the Company may issue in the future.

PREFERRED STOCK

The Certificate of Incorporation provides that the Board of Directors is authorized to issue the Preferred Stock in series and to fix and state the voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights of the shares of each such series and the qualifications, limitations and restrictions

thereof. Such action may be taken by the Board of Directors without stockholder approval. Under the Certificate of Incorporation, each share of each series of the Preferred Stock is to have the same relative rights as, and be identical in all respects with, all other shares of the same series. While providing flexibility in connection with possible financings, acquisitions and other corporate purposes, the issuance of the Preferred Stock, among other things, could adversely affect the voting power of the holders of the Common Stock and, under certain circumstances, be used as a means of discouraging, delaying or preventing a change in control of the Company. There will be no shares of the Preferred Stock outstanding upon completion of the Offering, and the Company has no present plan to issue shares of the Preferred Stock.

LIMITATION OF LIABILITY AND INDEMNIFICATION

Limitations of Director Liability

Section 102(b)(7) of the Delaware General Corporation Law ('DGCL') authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breach of directors' fiduciary duty of care. Although Section 102(b)(7) does not change directors' duty of care, it enables corporations to limit available relief to equitable remedies such as injunction or rescission. The Certificate of Incorporation limits the liability of directors to the Company or its stockholders to the fullest extent permitted by Section 102(b)(7). Specifically, directors of the Company are not personally liable for monetary damages to the Company or its stockholders for breach of the directors' fiduciary duty as a director, except for liability: (a) for any breach of the directors' duty of loyalty to the Company or its stockholders; (b) for acts or

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omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (c) for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; or (d) for any transaction from which the directors derived an improper personal benefit.

INDEMNIFICATION

To the maximum extent permitted by law, the Certificate of Incorporation and the Bylaws provide for mandatory indemnification of directors and officers of the Company against any expense, liability and loss to which they may become subject, or which they may incur as a result of being or having been a director or officer of the Company. In addition, the Company must advance or reimburse directors and officers for expenses incurred by them in connection with indemnifiable claims. The Company is in the process of applying for directors' and officers' liability insurance.

CERTAIN ANTI-TAKEOVER PROVISIONS

The Certificate of Incorporation and the Bylaws contain, among other certain provisions described below that may reduce the likelihood of a change in the Board of Directors or voting control of the Company without the consent of the Board of Directors. These provisions could have the effect of discouraging, delaying, or preventing tender offers or takeover attempts that some, or a majority, of the stockholders might consider to be in the stockholders' best interest, including offers or take-over attempts that might result in a premium over the market price for the Common Stock.

Classification of Board of Directors

The Board of Directors is divided into three classes of directors, with each class consisting of three directors. The term of office of the first class of directors will expire at the 1999 annual meeting of stockholders; the term of the second class of directors will expire at the 2000 annual meeting of stockholders; and the term of the third class of directors will expire at the 2001 annual meeting of stockholders. At each annual meeting of stockholders, the class of directors to be elected at such meeting will be elected for a three-year term, and the directors in the other two classes will continue in office. The stockholders have no right to cumulative voting for the election of directors. The holders of a plurality of the shares of the Common Stock will have the ability to elect all of the successors to the class of directors whose term expires at that meeting.

Filling Board Vacancies; Removal

Any vacancy occurring on the Board of Directors, including any vacancy created by an increase in the number of directors, may be filled for the unexpired term by the concurring vote of a majority of the directors then in office, whether or not a quorum, and any director so chosen shall hold office until such director's successor shall have been elected and qualified. Directors may only be removed with cause by the affirmative vote of the holders of at least a majority of the outstanding shares of capital stock then entitled to vote at an election of directors. 'Cause' is defined to mean (i) conduct, whether or not as a director of the Company or any subsidiary, involving willful material misconduct, breach of material fiduciary duty involving personal profit, or gross negligence as to material duties or (ii) conduct, whether or not as a director of the Company or any subsidiary, involving dishonesty or breach of trust which is punishable by imprisonment for a term exceeding one year under state or federal law.

Stockholder Action by Unanimous Written Consent

Any action required or permitted to be taken by the stockholders must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders, unless such consent is unanimous.

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Call of Special Meetings

Special meetings of stockholders may be called at any time by the Board of Directors or the Chairman of the Board. Special meetings may not be called by the Company's stockholders.

Stockholder Nominations and Proposals

With certain exceptions, the Certificate of Incorporation and Bylaws require that stockholders intending to present nominations for directors or other business for consideration at a meeting of stockholders notify the Company's secretary in writing no earlier than 120 days and no later than 90 days prior to the date of the meeting and state the identity of the stockholder and the number of shares owned directly or indirectly by such stockholder.

Bylaw Amendments

The stockholders may amend the Bylaws by the affirmative vote of the holders of at least a majority of the outstanding shares of the Common Stock of the Company. Directors also may amend the Bylaws by an affirmative vote of at least a majority of the directors then in office.

Certificate of Incorporation Amendments

Except as set forth in the Certificate of Incorporation or as otherwise specifically required by law, no amendment of any provision of the Certificate of Incorporation shall be made unless such amendment has been first proposed by the Board of Directors upon the affirmative vote of at least two-thirds of the directors then in office and thereafter approved by the affirmative vote of the holders of at least a majority of the outstanding shares of capital stock entitled to vote thereon; provided however, if such amendment is to the provisions in the Certificate of Incorporation relating to the authorized number of shares of the Preferred Stock or the Common Stock, board authority to issue the Preferred Stock, number and classes of directors, nomination and removal of directors, the limitations on directors' liability, amendment of Bylaws, or consent of stockholder in lieu of meetings, such amendment must be approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares of capital stock entitled to vote thereon.

Certain Statutory Provisions

The Company is subject to section 203 of the DGCL, which provides, in general, that a stockholder acquiring more than 15% of the outstanding voting shares of a corporation subject to the DGCL (an 'Interested Stockholder'), but less than 85% of such shares, may not engage in certain 'Business Combinations' with such corporation for a period of three years subsequent to the date on which the stockholder became an Interested Stockholder unless (i) prior to such date the corporation's board of directors approved either the Business Combination or the transaction in which the stockholder became an Interested Stockholder or (ii) the Business Combination is approved by the corporation's board of directors and authorized by a vote of at least two-thirds of the outstanding voting stock of the corporation not owned by the Interested Stockholder.

Section 203 defines the term 'Business Combination' to encompass a wide variety of transactions with or caused by an Interested Stockholder in which the Interested Stockholder receives or could receive a benefit on other than a pro rata basis with other stockholders, including mergers, certain asset sales, certain issuances of additional shares to the Interested Stockholder, transactions with the corporation which increase the proportionate interest of the Interested Stockholder or a transaction in which the Interested Stockholder receives certain other benefits.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is to be selected by the Company.

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SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offering, the Company will have shares of the Common Stock outstanding (assuming no exercise of the Underwriters' over-allotment option). Of these shares, the shares of the Common Stock sold in the Offering will be freely transferable and tradable without restriction or further registration under the Securities Act except for any shares purchased by any 'affiliate', as defined below, of the Company which will be subject to the resale limitations of Rule 144. All the remaining shares of the Common Stock held by existing stockholders are 'restricted' securities within the meaning of Rule 144 and may only be sold in the public market pursuant to an effective registration statement under the Securities Act or pursuant to an applicable exemption from registration, including Rule 144.

In general, under Rule 144, as currently in effect, a person (or persons

whose shares are required to be aggregated) who has been deemed to have beneficially owned shares for at least one year, including an 'affiliate', is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of 1% of the then outstanding number of shares of the Common Stock or the average weekly trading volume in the shares of the Common Stock during the four calendar weeks preceding the filing of the required notice of such sale. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about the Company. A person (or persons whose shares are required to be aggregated) who is not deemed to have been an affiliate of the Company during the three months preceding a sale, and who has beneficially owned shares within the definition of 'restricted securities' under Rule 144 for at least two years is entitled to sell such shares under Rule 144(k) without regard to the volume limitation, manner of sale provisions, notice requirements or public information requirements of Rule 144. Affiliates continue to be subject to such limitations. As defined in Rule 144, an 'affiliate' of an issuer is a person that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such issuer.

Upon completion of the Offering, up to _____ shares of the Common Stock, which are beneficially held by the existing stockholders of the Company, may be eligible for sale under Rule 144. The Company, each Selling Stockholder and each other existing stockholder of the Company has agreed that it or they will not, without the prior written consent of FBR, directly or indirectly, offer, pledge, sell, offer to sell, contract to sell, grant any option to purchase or otherwise sell, dispose of, make any short sale of, loan or grant any rights with respect to any shares of the Common Stock, any options or warrants to purchase any shares of the Common Stock or any securities convertible into, or exercisable or exchangeable for, shares of the Common Stock, or enter into any swap or other arrangement to transfer, in whole or in part, any of the economic consequences of ownership of Common Stock, until the first anniversary of the closing of the Offering, except that (i) the Company may grant additional options and issue additional stock to its existing equity holders or under its stock plans and repurchase shares thereunder, and (ii) the ESOP may distribute shares of Common Stock pursuant to the provisions of the ESOP plan documents and the distributees who are not currently stockholders may sell such shares unless they have agreed otherwise.

No prediction can be made as to the effect, if any, that future sales of the Common Stock, or the availability of shares of the Common Stock for future sale, will have on the market price of the Common Stock prevailing from time to time. Sales of substantial numbers of shares of the Common Stock, pursuant to a registration statement, Rule 144 or otherwise, or the perception that such sales may occur, could adversely affect the prevailing market price of the Common Stock.

The Company has reserved 1,900,000 shares of the Common Stock for issuance upon the exercise of options outstanding or to be granted pursuant to the Plan. As of the date hereof, options to purchase _____ shares of the Common Stock were outstanding and unexercised. See 'Management--Compensation Plans--1998 Stock Option and Incentive Plan.' The Company has also established a Deferred Plan and will issue 3,600,000 shares of Common Stock to the trust established under such plan in connection with the closing of the Offering. Five executive officers of the Company have rights to receive stock under the Deferred Plan. See 'Management-- Compensation Plans--Deferred Stock Compensation Plan.'

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UNDERWRITING

Subject to the terms and conditions of the underwriting agreement among the Company, the Selling Stockholders and the Underwriters (the 'Underwriting Agreement'), the Underwriters named below, through their Representative, Friedman, Billings, Ramsey & Co., Inc. (the 'Representative' or 'FBR'), have severally agreed to purchase from the Company and the Selling Stockholders the following respective numbers of shares of the Common Stock:

<TABLE>

<CAPTION>

UNDERWRITER	NUMBER OF SHARES
<S>	<C>
Friedman, Billings, Ramsey & Co., Inc.....	
Total:.....	

</TABLE>

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent, including, among other things, the absence of any material adverse change in the Company's business and the receipt of certain certificates, opinions and letters from the Company and its counsel and independent auditors. The nature of the Underwriters' obligation is such that they are committed to purchase all shares of the Common Stock offered hereby if any of such shares are purchased. The offering of the Common Stock is made for delivery when, as and if accepted by the Underwriters and subject to prior sale and to withdrawal, cancellation or modification of the Offering without notice. The Underwriters reserve the right to reject an order for the purchase of shares in whole or in part.

The Underwriters propose initially to offer the shares of the Common Stock directly to the public at the initial public offering price set forth on the

cover page of this Prospectus and to certain dealers at such price less a concession not in excess of \$ per share. The Underwriters may allow and such dealers may re-allow a concession not in excess of \$ per share to certain other dealers. After the initial public offering of the Common Stock, the offering price and other selling terms may be changed by the Underwriters.

Mr. Cassidy, the Chairman and Chief Executive Officer of the Company, has granted to the Underwriters an over-allotment option, exercisable no later than 30 days after the date of this Prospectus, to purchase up to additional shares of the Common Stock at the initial public offering price, less the underwriting discount, set forth on the cover page of this Prospectus. To the extent the Underwriters exercise such over-allotment option, each of the Underwriters will be committed, subject to certain conditions, to purchase a number of the additional shares of the Common Stock proportionate to such underwriter's initial commitment. Mr. Cassidy will be obligated, pursuant to such over-allotment option, to sell shares to the Underwriters to the extent the over-allotment option is exercised. The Underwriters may exercise the over-allotment option only to cover over-allotments made in connection with the sale of the Common Stock offered hereby.

The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the Underwriters may be required to make in respect thereof.

Prior to the Offering, there has been no public market for the Common Stock. The initial public offering price for the Common Stock will be determined by negotiation among the Company and the Representative. Among the factors to be considered in determining the initial public offering price are prevailing market conditions, revenues and earnings of the Company, market valuations of other companies engaged in activities similar to the Company, estimates of the business potential and prospects of the Company, the present state of the Company's business operations, the industry in which the Company competes, the Company's management and other factors deemed relevant. The estimated initial public offering price range set forth on the cover of this Prospectus is subject to change as a result of market conditions and other factors. There can, however, be no

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assurance that the price at which the shares of the Common Stock will sell in the public market after the Offering will not be lower than the price at which they are sold by the Underwriters.

For a period of two years from the date of this Prospectus, the Company has granted FBR the right to provide all advisory and/or investment banking services

to the Company (the 'Right of First Refusal'). If FBR declines or fails to exercise the Right of First Refusal within 15 days after notice from the Company that the Company requires such services, the Company will have the right to retain any other person on terms and conditions that are not materially more favorable than those declined by FBR. In such an event, FBR would retain the Right of First Refusal with respect to future transactions.

The Representative has informed the Company that the Underwriters do not intend to confirm sales of shares of the Common Stock offered hereby to any accounts over which they exercise discretionary authority.

Until the distribution of the Common Stock is completed, the rules of the SEC may limit the ability of the Underwriters and certain selling group members to bid for or purchase the Common Stock. As an exception to these rules, the Representative is permitted to engage in certain transactions that stabilize the price of shares of the Common Stock. Such transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of shares of the Common Stock.

If the Underwriters create a short position in shares of the Common Stock in connection with the Offering, i.e., if they sell more shares of the Common Stock than are set forth on the cover page of this Prospectus, the Representative may reduce that short position by purchasing shares of the Common Stock in the open market. The Representative may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

The Representative may also impose a penalty bid on certain Underwriters and selling group members. This means that if the Representative purchases shares of the Common Stock in the open market to reduce the Underwriters' short position or to stabilize the price of shares of the Common Stock, it may reclaim the amount of the selling concession from the Underwriters and selling group members who sold such shares of the Common Stock as part of the Offering.

In general, purchases of securities for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

Neither the Company nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of shares of the Common Stock. In addition, neither the Company nor any of the Underwriters makes any representation that the Representative will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Company will pay all expenses, other than underwriting discounts and expenses, incident to the Offering and sale of the Common Stock by the Selling Stockholders, including the fees, if any, of counsel and other advisors for the Selling Stockholders.

The Company, each Selling Stockholder and each other existing stockholder of the Company has agreed that it or they will not, without the prior written consent of FBR, directly or indirectly, offer, pledge, sell, offer to sell, contract to sell, grant any option to purchase or otherwise sell, dispose of, make any short sale of, loan or grant any rights with respect to any shares of the Common Stock, any options or warrants to purchase any shares of the Common Stock or any securities convertible into, or exercisable or exchangeable for, shares of the Common Stock, or enter into any swap or other arrangement to transfer, in whole or in part, any of the economic consequences of ownership of Common Stock, until the first anniversary of the closing of the Offering, except that (i) the Company may grant additional options and issue additional stock to its existing equity holders or under its stock plans and repurchase shares thereunder, and (ii) the ESOP may distribute shares of Common Stock pursuant to the provisions of the ESOP plan documents and the distributees who are not currently stockholders may sell such shares unless they have agreed otherwise.

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LEGAL MATTERS

The validity of the Common Stock being offered hereby will be passed upon for the Company by Hogan & Hartson L.L.P., Washington, D.C., and for the Underwriters by Gibson, Dunn & Crutcher LLP, Washington, D.C.

EXPERTS

The consolidated financial statements of the Company as of December 31, 1997 and for each of the three years in the period ended December 31, 1997 and the financial statements of PTC as of December 31, 1997 and 1996 and for the year ended December 31, 1997 and for the period from January 19, 1996 (Inception) to December 31, 1996 appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent public accountants, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given upon the authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the SEC a registration statement (herein, together with all amendments, exhibits and schedules thereto, referred to as the 'Registration Statement') under the Securities Act with respect to the Common

Stock offered hereby. This Prospectus, which is part of the Registration Statement, does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information with respect to the Company and the Common Stock, reference is hereby made to the Registration Statement.

As a result of the Offering, the Company will become subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended and in accordance therewith, will file reports and other information with the SEC. The Company intends to furnish its stockholders with annual reports containing financial statements audited by its independent public accountants. The Registration Statement, including the exhibits and schedules thereto, and reports and other information filed by the Company with the SEC can be inspected without charge and copied, upon payment of prescribed rates, at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the SEC located at 7 World Trade Center, 13th Floor, New York, New York 10048 and the Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material and any part thereof will also be available by mail from the Public Reference Section of the SEC, at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates, and via the SEC's address on the World Wide Web at <http://www.sec.gov>.

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THE CASSIDY COMPANIES, INC.

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PICKHOLZ, TWEEDY, COWAN, LLC

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Board of Directors
The Cassidy Companies, Inc.

We have audited the accompanying consolidated balance sheets of The Cassidy Companies, Inc. as of December 31, 1997 and 1996, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Cassidy Companies, Inc. at December 31, 1997 and 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLC

Washington, DC

March 22, 1998, except for
Notes 18 and 19 as to which
the date is July 15, 1998

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THE CASSIDY COMPANIES, INC.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

<TABLE>

<CAPTION>

	DECEMBER 31,		
	1997	1996	
	JUNE 30,	-----	-----
	1998		

	(UNAUDITED)		
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash.....	\$ 737	\$ 117	\$ 1,244
Accounts receivable, net.....	9,491	7,412	5,586
Advances to affiliates.....	1,175	411	354
Other current assets.....	472	374	733
	-----	-----	-----
Total current assets.....	11,875	8,314	7,917
Property and equipment, net.....	2,201	2,206	1,581
Goodwill, net.....	3,884	3,614	3,367
Other assets.....	386	415	471
Net assets of discontinued operations.....		1,612	3,103 862
	-----	-----	-----
Total assets.....	\$19,958	\$17,652	\$14,198
	-----	-----	-----
	-----	-----	-----

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

Accounts payable and accrued expenses.....	\$ 4,826	\$ 5,916	\$ 3,114
Current portion of long-term debt.....	3,565	3,565	3,318
Current portion of deferred rent obligation.....	332	332	388
Notes payable.....	5,650	1,150	2,225
Deferred income.....	3,311	3,739	3,309

Total current liabilities.....	17,684	14,702	12,354	
Long-term debt, less current portion.....	8,671	10,424	13,989	
Deferred rent obligation, less current portion.....	2,400	2,474	2,788	
Stockholders' deficit:				
Preferred stock, \$1.00 par value; 5,000,000 shares authorized.....	--	--	--	
Common stock, \$0.01 par value 50,000,000 shares authorized:				
Class A, 28,350 shares issued and outstanding at June 30, 1998 and December 31, 1997 and 1996, respectively.....	1	1	1	
Class B, 5,500,635, 5,422,020 and 4,444,755 shares issued and outstanding at June 30, 1998 and December 31, 1997 and 1996, respectively.....	55	54	44	
Class B, 1,557,450 shares issued and held in escrow (Note 7) at June 30, 1998 and December 31, 1997 and 1996, respectively.....	--	--	--	
Class C, 3,454,245 shares issued; 2,201,190, 1,995,570 and 1,629,345 shares outstanding at June 30, 1998 and December 31, 1997 and 1996, respectively.....	35	35	35	
Additional paid-in capital.....	26,910	26,553	25,273	
Accumulated deficit.....	(24,932)	(24,066)	(24,779)	
Unearned ESOP shares.....	(10,108)	(11,767)	(15,043)	
Less:				
Class C common stock held in treasury at cost; 72,390, 72,390, and 41,460 shares at June 30, 1998 and December 31, 1997 and 1996, respectively.....		(758)	(758)	(464)
Total liabilities and stockholders' deficit.....	\$19,958	\$17,652	\$14,198	

</TABLE>

See accompanying notes

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<PAGE>

THE CASSIDY COMPANIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

<TABLE>

<CAPTION>

SIX MONTHS ENDED

JUNE 30,

YEAR ENDED DECEMBER 31,

1998

1997

1997

1996

1995

(UNAUDITED)

<C>

<C>

<C>

<C>

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Revenues:

Government relations group.....	\$ 13,539	\$ 12,207	\$ 26,384	\$ 23,007	\$ 23,891
Public affairs and opinion research group.....	8,624	7,157	14,661	13,450	12,383
	-----	-----	-----	-----	-----
Total revenues.....	22,163	19,364	41,045	36,457	36,274
Operating expenses:					
Non-stock compensation:					
Government relations group.....	6,543	6,022	12,105	11,789	12,071
Public affairs and opinion research group.....	5,343	4,384	8,924	8,376	7,141
	-----	-----	-----	-----	-----
Total non-stock compensation to employees.....	11,886	10,406	21,029	20,165	19,212
Consulting expense.....	1,268	1,252	2,851	3,122	3,210
General and administrative expense.....	5,039	4,470	9,248	9,095	9,031
ESOP stock compensation expense.....	1,139	936	1,878	1,218	1,195
Compensation element of common stock and option issuances.....	--	--	1,313	1,277	
	-----	-----	-----	-----	-----
Total operating expenses.....	19,332	17,064	35,006	34,913	33,925
Income from operations.....	2,831	2,300	6,039	1,544	2,349
Equity in losses of affiliates.....	--	--	--	(238)	
ESOP interest expense.....	(529)	(691)	(1,294)	(1,655)	(1,837)
Other interest expense.....	(189)	(172)	(328)	(121)	(82)
	-----	-----	-----	-----	-----
Income (loss) from continuing operations before income taxes.....	2,113	1,437	4,417	(232)	192
Income tax (provision) benefit.....	(431)	(359)	(1,094)	(17)	(1,298)
	-----	-----	-----	-----	-----
Income (loss) from continuing operations.....	1,682	1,078	3,323	(249)	(1,106)
Loss from discontinued operations, net of tax.....	(2,548)	(1,133)	(2,610)	(1,525)	(1,238)
	-----	-----	-----	-----	-----
Net income (loss).....	\$ (866)	\$ (55)	\$ 713	(\$ 1,774)	(\$ 2,344)
	-----	-----	-----	-----	-----
Earnings per Common Share:					
Income (loss) from continuing operations.....	\$ 0.22	\$ 0.16	\$ 0.51	\$ (0.04)	\$ (0.25)
Loss from discontinued operations.....	(0.34)	(0.17)	(0.40)	(0.28)	(0.27)
	-----	-----	-----	-----	-----
Net income (loss) per common share.....	\$ (0.12)	\$ (0.01)	\$ 0.11	\$ (0.32)	\$ (0.52)
	-----	-----	-----	-----	-----
Earnings per Common Share--Assuming Dilution:					
Income (loss) from continuing operations.....	\$ 0.20	\$ 0.14	\$ 0.43	\$ (0.04)	\$ (0.25)
Loss from discontinued operations.....	(0.30)	(0.15)	(0.34)	(0.28)	(0.27)
	-----	-----	-----	-----	-----
Net income (loss) per common share -assuming dilution.....	\$ (0.10)	\$ (0.01)	\$ 0.09	\$ (0.32)	\$ (0.52)
	-----	-----	-----	-----	-----

Weighted average common shares (in thousands).....	7,525	6,489	6,534	5,503	4,490
Weighted average common shares--assuming dilution (in thousands).....	8,595	7,559	7,604	5,503	4,490

</TABLE>

See accompanying notes.

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THE CASSIDY COMPANIES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996, AND 1995 AND
THE SIX MONTHS ENDED JUNE 30, 1998 (UNAUDITED)
(DOLLARS IN THOUSANDS)

<TABLE>

<CAPTION>

TREASURY	CLASS	CLASS	CLASS	UNEARNEED		ESOP	
	A	B	C	ADDITIONAL	PAID-IN		ACCUMULATED
	STOCK	STOCK	STOCK	CAPITAL	DEFICIT	SHARES	STOCK
	-----	-----	-----	-----	-----	-----	-----
	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1994.....	\$ 51	\$ 33	\$ 35	\$ 22,264	\$ (19,615)	\$(22,056)	\$ (122)
Stock issuance in connection with acquisition.....	--	2	--	998	--	--	--
Stock options grants for earnouts related to prior acquisition.....	--	2	--	1,435	--	--	--
Restricted stock issuances and option exercise.....	--	3	--	(3)	--	--	--
ESOP compensation expense.....	--	--	--	(1,748)	--	3,798	--
Tax benefit from depreciation in value of ESOP shares released.....	--	--	--	528	--	--	--
ESOP dividends.....	--	--	--	(733)	--	--	--
Compensation element of stock options granted.....	--	--	--	1,277	--	--	--
Class C common stock purchased for treasury, 20,310 shares.....	--	--	--	--	--	--	(233)
Net loss.....	--	--	--	(2,344)	--	--	--
	-----	-----	-----	-----	-----	-----	-----

Balance, December 31, 1995.....	51	40	35	24,751	(22,692)	(18,258)	(355)
Stock options grants for earnouts related to prior acquisition.....	--	2	--	748	--	--	--
Restricted stock issuances and option exercise.....	--	2	--	(2)	--	--	--
ESOP compensation expense.....	--	--	--	(1,635)	--	3,215	--
Tax benefit from depreciation in value of ESOP shares released.....	--	--	--	98	--	--	--
ESOP dividends.....	--	--	--	(313)	--	--	--
Compensation element of stock options granted.....	--	--	--	1,313	--	--	--
Class C common stock purchased for treasury, 11,235 shares.....	--	--	--	--	--	--	(109)
Net loss.....	--	--	--	(1,774)	--	--	--
	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 1996.....	51	44	35	25,273	(24,779)	(15,043)	(464)
Stock issuances in connection with acquisitions.....	--	2	--	1,249	--	--	--
Stock options grants for earnouts related to prior acquisition.....	--	2	--	752	--	--	--
Restricted stock issuances.....	--	7	--	(7)	--	--	--
ESOP compensation expense.....	--	--	--	(1,186)	--	3,276	3
Tax benefit from depreciation in value of ESOP shares released.....	--	--	--	471	--	--	--
Stock forfeitures.....	--	(1)	--	1	--	--	--
Class C common stock purchased for treasury, 30,930 shares.....	--	--	--	--	--	--	(297)
Net income.....	--	--	--	713	--	--	--
	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 1997.....	51	54	35	26,553	(24,066)	(11,767)	(758)
Stock issuances in connection with acquisitions (unaudited).....	--	1	--	499	--	--	--
ESOP compensation expense (unaudited).....	--	--	--	(319)	--	1,659	--
Tax benefit from depreciation in value of ESOP shares released.....	--	--	--	177	--	--	--
Net loss (unaudited).....	--	--	--	(866)	--	--	--
	-----	-----	-----	-----	-----	-----	-----
Balance, June 30, 1998 (unaudited).....	\$ 51	\$ 55	\$ 35	\$ 26,910	\$ (24,932)	\$ (10,108)	\$ (758)
	-----	-----	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----	-----	-----

</TABLE>

See accompanying notes.

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THE CASSIDY COMPANIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

<TABLE>

<CAPTION>

	SIX MONTHS				
	ENDED JUNE 30,		YEARS ENDED DECEMBER 31,		
	1998	1997	1997	1996	1995
	(UNAUDITED)				
	<C>	<C>	<C>	<C>	<C>
OPERATING ACTIVITIES					
Net income (loss).....	\$ (866)	\$ (55)	\$ 713	\$(1,774)	\$(2,344)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Provision for loss on discontinued operations.....		(2,000)	--	--	--
ESOP compensation expense.....	1,340	1,048	2,090	1,580	2,050
Compensation element of common stock and options granted.....			--	--	1,313
Tax effect of ESOP compensation expense.....		177	235	471	98
Increase (decrease) in accounts receivable allowance.....		(9)	76	293	(793)
Depreciation.....	333	301	615	665	652
Amortization.....	305	265	571	436	229
Amortization of debt issuance costs included in interest expense.....	41	65	81	113	145
Deferred rent.....	(73)	(201)	(370)	(388)	(378)
Equity in losses of affiliates.....	14	158	223	294	274
Net loss (gain) on disposition of assets.....		70	7	7	1
Changes in assets and liabilities:					
Accounts receivable.....	159	(1,688)	(2,492)	1,331	(4,451)
Other current assets.....	493	13	410	(530)	2,505
Other assets.....	15	31	(205)	(132)	(217)
Accounts payable & accrued expenses.....		(490)	(476)	2,180	(832)
Deferred income.....	(428)	(406)	431	(895)	1,249
Net cash provided by (used in) operating activities.....		(919)	(627)	5,018	487
INVESTING ACTIVITIES					
Capital expenditures.....	(415)	(938)	(1,363)	(471)	(291)
Advances to affiliates (repayments).....		(793)	601	(57)	783
Investments in affiliates.....		--	(35)	(371)	(1,483)
Net cash provided by (used in) investing activities.....		(1,208)	(337)	(1,455)	(59)

FINANCING ACTIVITIES

Repayment of debt.....	(1,753)	(1,621)	(3,318)	(3,031)	(3,934)
Contributions and dividends paid to ESOP.....	(2,282)	(2,312)	(4,720)	(4,797)	(5,432)
Payment of principal and interest received on ESOP loan.....	2,282	2,312	4,720	4,797	5,432
Line of credit borrowings (repayments), net.....	4,500	1,800	(1,075)	2,225	--
Purchase of treasury stock.....	--	--	(297)	(110)	(234)
	-----	-----	-----	-----	-----
Net cash provided by (used in) financing activities.....	2,747	179	(4,690)	(916)	(4,168)
	-----	-----	-----	-----	-----
Increase (decrease) in cash.....	620	(785)	(1,127)	(488)	(1,254)
Cash at beginning of period.....	117	1,244	1,244	1,732	2,986
	-----	-----	-----	-----	-----
Cash at end of period.....	\$ 737	\$ 459	\$ 117	\$ 1,244	\$ 1,732
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----
Supplemental disclosures of cash flow information:					
Interest paid.....	\$ 560	\$ 1,021	\$ 1,674	\$ 1,884	\$ 1,978
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----
Income taxes paid (recovered).....	\$ 688	\$ 190	\$ 474	\$ 153	\$(1,907)
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

</TABLE>

See accompanying notes.

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THE CASSIDY COMPANIES, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998

(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

1. ORGANIZATION

The Cassidy Companies, Inc. (the 'Company') is a leading provider of government relations services and a major provider of public affairs communications and opinion research services. The Company conducts its operations primarily through two operating groups, the Government Relations Group and the Public Affairs and Opinion Research Group.

The Company has two wholly owned subsidiaries that comprise the Government Relations Group, G. Cassidy and Associates, Inc. ('C&A') and Boland & Madigan, Inc. These companies provide clients with expert representation and advocacy in the legislative and regulatory process.

Three additional subsidiaries comprise the Public Affairs and Opinion Research Group. Powell Tate, A Cassidy Company ('PT') represents corporations and trade associations on diverse public affairs and public relations issues. Frederick Schneiders Research, Inc. ('FSR') is involved in public opinion research and strategic message planning. Bork & Associates ('B&A'), a litigation communications firm, was acquired in February 1998.

In addition to the above, the Company has two additional subsidiaries and a division of PT, in various stages of disposition, that represent operations that have been discontinued. (See Note 18.) These discontinued operations include Pickholz Tweedy Cowan LLC, ('PTC') which is engaged in the direct marketing business; Strategic Response, A Cassidy Company ('SR') which designed constituency development campaigns for major corporations, trade associations, and nonprofit organizations; and Powell Tate-New York ('PTNY'), which is involved in public opinion consulting involving corporate financial issues.

The Company's relationship with its clients is dependent on the continued employment of its key executives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Financial Information

The financial information presented as of any date other than December 31 has been prepared from the books and records of the Company without audit. In the opinion of management, the accompanying unaudited financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's consolidated financial position as of June 30, 1998, the results of its operations and its cash flows for the six months ended June 30, 1998 and 1997, and the changes in stockholders' deficit for the six months ended June 30, 1998. The results of operations presented for the six months ended June 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998.

Principles of Consolidation

The accompanying consolidated financial statements of the Company include the accounts of its wholly owned subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

<PAGE>

THE CASSIDY COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Revenue Recognition

The Company recognizes revenue based on contracted monthly, quarterly and other retainer periods starting in the month the contract begins. Certain contracts provide for billings based on hours incurred at specified rates. Revenues on these contracts are recognized as services are provided.

Deferred Income

Clients are sometimes billed a retainer fee in the month preceding the period of service and others remit payments in advance of the service period. Advance billings and advance payments are classified as deferred income and recognized as revenue as they are earned.

Property and Equipment

The Company computes depreciation and amortization using the straight-line method. Leasehold improvements are amortized over the shorter of the life of the initial lease term or the useful life of the asset. Furniture, fixtures and computer hardware, computer software, and transportation equipment are depreciated over their estimated useful lives as follows:

<TABLE>

<S>	<C>
Furniture, fixtures and computer hardware.....	5 - 10 years
Computer software.....	3 years
Leasehold improvements.....	4 - 6 years
Transportation equipment.....	4 years

</TABLE>

Advertising

Advertising activity is expensed as incurred. Advertising expenses for the six-month periods ended June 30, 1998 and 1997 were \$691 and \$522, respectively, and for the years ended December 31, 1997, 1996, and 1995 were \$1,129, \$1,394, and \$1,416, respectively.

Income Taxes

The Company computes deferred income taxes under the liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial statement and income tax basis of assets and liabilities and are measured using the enacted tax rate in effect during the years in which the differences are expected to reverse.

Earnings Per Share

The Company's earnings per share calculations are based upon the weighted average of shares of common stock outstanding. The dilutive effect of stock options are excluded for purposes of calculating basic earnings per share. The Company excludes shares held in escrow and unearned ESOP shares from its computations of earnings per share as such shares are deemed to be held by the Company. In addition, in periods where the basic earnings per share is less than \$0.00, the Company does not include any effects of the options to acquire Class B common shares as the inclusion of such securities would be anti-dilutive.

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THE CASSIDY COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Segment Reporting

The Company has adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 131, 'Disclosures about Segments of an Enterprise and Related Information' ('Statement 131') which established standards for public business enterprises' reporting of certain information about operating segments in annual financial statements and requires those enterprises report selected information about operating segments in interim financial reports. Statement 131 also established standards for related disclosures about products and services, geographic areas, and major customers.

Stock-Based Compensation

The Company has adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 123, 'Accounting for Stock-Based Compensation' ('Statement 123'). Statement 123 allows companies to either account for stock-based compensation under the new provisions of Statement 123

or under the provisions of Accounting Principles Board Opinion No. 25, 'Accounting for Stock Issued to Employees' ('APB 25'), but requires pro forma disclosures in the footnotes to the consolidated financial statements as if the measurement provisions of Statement 123 had been adopted. The Company intends to continue to account for its stock-based compensation in accordance with APB 25.

3. ACCOUNTS RECEIVABLE

The Company provides an allowance for doubtful accounts for accounts receivable amounts deemed uncollectible as determined by management. Activity in the allowance for doubtful accounts was as follows:

<TABLE>

<CAPTION>

	SIX MONTHS ENDED				
	JUNE 30,	YEARS ENDED DECEMBER 31,			
	1998	1997	1997	1996	1995
	----	----	-----	-----	-----
	(UNAUDITED)				
	<C>	<C>	<C>	<C>	<C>
Balance at beginning of period.....	\$ 593	\$ 300	\$ 300	\$ 1,093	\$ 150
Provision for losses charged to expense.....		252	125	1,042	263 943
Charge-offs, net of recoveries.....		(261)	(201)	(749)	(1,056) --
	----	----	-----	-----	-----
Balance at end of period.....	\$ 584	\$ 224	\$ 593	\$ 300	\$ 1,093
	----	----	-----	-----	-----

</TABLE>

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THE CASSIDY COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<TABLE>
<CAPTION>

	DECEMBER 31,		
	1997	1996	
JUNE 30,	-----	-----	
1998			
	(UNAUDITED)		
<S>	<C>	<C>	<C>
Furniture, fixtures and computer hardware.....		\$ 3,799	\$ 4,103 \$ 3,026
Computer software.....	598	585	286
Leasehold improvements.....	362	291	232
Transportation equipment.....	27	27	27
	-----	-----	-----
	4,786	5,006	3,571
Less: accumulated depreciation.....		(2,585)	(2,800) (1,990)
	-----	-----	-----
	\$ 2,201	\$ 2,206	\$ 1,581
	-----	-----	-----
	-----	-----	-----

</TABLE>

Depreciation expense for the six month periods ended June 30, 1998 and 1997 was \$333 and \$301, respectively, and for the years ended December 31, 1997, 1996 and 1995 was \$615, \$665, and \$652, respectively.

5. OTHER ASSETS

Included in other assets at December 31, 1997 were two notes receivable totaling \$99 from related parties that bear interest at 8.0%. Included in other assets at December 31, 1996 is a \$35 note receivable from a related party that bears interest at 8.0 % and was repaid in 1997.

6. INTANGIBLES

Goodwill, which resulted from the Company's various acquisitions, is amortized on a straight line basis over estimated lives which vary from five to ten years. Substantially all goodwill amounts reflected by the Company were attributable to issuances of the Company's Class B Common Stock to the selling shareholders of the acquired businesses.

Amortization expense for the six-month periods ended June 30, 1998 and 1997 was \$305 and \$265, respectively, and for the years ended December 31, 1997, 1996, and 1995 was \$571, \$436, and \$229, respectively. Accumulated amortization

as of June 30, 1998 and December 31, 1997 and 1996 was \$1,035, \$815, and \$412, respectively.

Debt issuance costs, included in other assets in the accompanying financial statements totaled \$1,239 as of June 30, 1998 and December 31, 1997 and 1996. Amortization expense, recognized as a component of interest expense under the effective interest method of accounting over the seven year term of the Company's long term debt was \$41 and \$65 for the six months ended June 30, 1998 and 1997, respectively and \$81, \$113, and \$145 for the years ended December 31, 1997, 1996 and 1995, respectively, accumulated amortization of the debt issuance costs as of June 30, 1998 and December 31, 1997 and 1996 was \$1,142, \$1,102, and \$1,020, respectively.

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THE CASSIDY COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

7. ACQUISITIONS

Boland & Madigan, Inc.

In December 1994, the Company entered into an agreement to acquire Boland & Madigan, Inc. in a transaction accounted for as a purchase. The Company acquired all of the outstanding common stock of Boland & Madigan, Inc. in exchange for 61,980 shares of the Company's Class B common stock in 1995. The Company's shares exchanged were then valued at approximately \$500.

In addition, in connection with this acquisition, the Company is required to pay additional consideration in the form of shares of Class B common stock, based on Boland & Madigan, Inc.'s net income as defined in the merger agreement, for each of the five years in the period ending December 31, 1999, to be determined at each year end date. The number of shares issued in payment of the additional consideration is determined on the date the shares are issued and released from escrow. Additional consideration paid under this arrangement approximated \$754, \$750, and \$1,365 in 1997, 1996, and 1995, respectively.

Additional consideration paid under this arrangement is recorded as goodwill and is amortized over the remaining amortization period. The excess of the consideration over the fair value of assets acquired is being amortized over a ten-year period through December 31, 2004.

Frederick Schneiders Research, Inc.

In December 1995, the Company entered into an agreement to acquire FSR in a transaction accounted for as a purchase. The Company acquired all of the outstanding common stock of FSR in exchange for 79,785 shares of Company's Class B common stock. The Company's shares exchanged were then valued at approximately \$500.

In connection with the FSR acquisition, Cassidy is required to pay additional consideration in the form of shares of Class B common stock, based on FSR's net income, as defined in the merger agreement, for each of the five years in the period ending December 31, 2000 to be determined at each year end date. No additional consideration amounts have been earned in connection with this agreement through 1997.

The Company issued and held in escrow 957,450 shares of Class B common stock, pending future annual determinations of net income attained by FSR. The value of these shares will be recognized as additional consideration if and when released from escrow and will be amortized over the remaining amortization period. The excess of the consideration over the fair value of assets acquired is being amortized over a ten year period through December 2005.

Pickholz Tweedy Cowan, LLC

In 1996, the Company invested \$500 for 50% of the equity of PTC, a limited liability company established to engage in the direct marketing business. The provisions of the limited liability company agreement provided the Company's partner (Pickholz Tweedy Cowan, Inc.) with a put option to sell its interest in PTC to the Company. In June 1997, the Company's partner exercised its put option and sold the remaining 50% to the Company in exchange for 246,720 shares of the Company's Class B common stock. The Company's shares that were exchanged were valued at approximately \$1,250.

In connection with the acquisition of PTC, the Company is required to pay additional consideration in the form of shares of Class B common stock, based on PTC's net income as defined in the put agreement, for each of the five years in the period ending December 31, 2001. No amounts have been earned in connection with this agreement. The Company issued and holds in escrow 600,000 shares of Class B common stock, pending future annual determinations of net income attained by PTC. The Company decided to sell PTC during the six-month period ended June 30, 1998. (See Note 18.)

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THE CASSIDY COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

7. ACQUISITIONS--(CONTINUED)

Bork & Associates

In February 1998, the Company entered into an agreement to acquire Bork & Associates in a transaction accounted for as a purchase. The Company acquired all of the outstanding stock of Bork & Associates in exchange for 102,750 shares of the Company's Class B common stock. The Company shares exchanged were then valued at \$500.

The Company's consolidated financial statements include the operations of the acquired businesses from the dates of their respective acquisition.

8. INVESTMENT IN AFFILIATE

Galway Partners, L.L.C.

The Company has a membership interest in Galway Partners, L.L.C., a limited liability company established to engage in merchant banking, investment banking, and related financial services. The profits and losses are allocated among the members in accordance with the limited liability company agreement.

In January 1997, the Company's ownership interest was increased from 33% to 43%. The Company accounts for its investment in Galway Partners, L.L.C. under the equity method and recorded losses of \$-0-, \$26, and \$291 for the years ended December 31, 1997, 1996, and 1995, respectively. Amounts due from Galway Partners, L.L.C. at June 30, 1998 and December 31, 1997 and 1996 were \$1,130, \$375, and \$187, respectively.

9. LINES OF CREDIT

The Company has three lines of credit that provide for borrowings of up to \$5,500, \$4,000 and \$2,500 for general working capital purposes. Borrowings under the lines bear interest at the LIBOR Rate plus 1.25%, the bank's prime rate and prime plus .5%, respectively, and are guaranteed by the Company's chairman and chief executive officer. The weighted average interest rate as of June 30, 1998 and December 31, 1997 and 1996 was 7.6%, 8.1%, and 7.2%, respectively.

The lines of credit expire on April 30, 1999, March 31, 1999 and March 28, 1999, respectively. A total of \$5,650, \$1,150, and \$2,225 was outstanding under the lines of credit at June 30, 1998, December 31, 1997 and December 31, 1996, respectively.

10. LONG-TERM DEBT

At June 30, 1998 and December 31, 1997 and 1996, long-term debt consisted of \$12,236, \$13,989 and \$17,307, respectively, of Senior ESOP Notes held by five insurance companies issued in connection with the 1989 and 1994 ESOP transactions. The notes bear interest at 8.2%. The Company generally is required to make semiannual principal and interest payments on the Senior ESOP Notes on the first day of April and October. The remaining principal and interest is due in full on October 1, 2001.

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THE CASSIDY COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

10. LONG-TERM DEBT--(CONTINUED)

Maturities of long-term debt were as follows at December 31, 1997:

<TABLE>

<S>	<C>
1998.....	\$ 3,565
1999.....	3,583
2000.....	3,768
2001.....	3,073

	\$13,989

</TABLE>

The Senior ESOP Note agreements contain covenants including limits on future indebtedness, investments, dividends, capital expenditures, and mergers and acquisitions. In addition, the note agreements contain financial covenants related to the Company's total liabilities, amounts of liquid securities plus unused lines of credit, minimum adjusted capital and life insurance on the Company's chairman and chief executive officer.

In the event of a change in control, as defined in the agreements, the Company is required to request the consent of each note holder. Under the terms of the agreements, payment of all amounts due to any note holders not consenting to the change in control is due within 105 days of the request. The Company's chairman and chief executive officer has executed a conditional guarantee, which is operative only in the event of a change in control, whereby he has guaranteed full payment due to any note holders not consenting to the change in control.

Under the terms of the Senior ESOP Notes, three officers of the Company, including the Company's chairman and chief executive officer, have executed a limited guarantee whereby these individuals have guaranteed partial payment of the principal and interest, if any amounts become past due as defined in the agreement. Their aggregate maximum liability is approximately \$4,500 at December 31, 1997.

11. COMMON STOCK

The Company is authorized to issue shares of preferred stock and three classes of common stock. The holders of Class A common stock are entitled to voting rights but not dividends. Class A stockholders, acting together with Class C stockholders as a separate class, have the right to elect at least two directors. These directors will have seven votes each on matters on which they are entitled to vote.

The holders of Class B common stock are entitled to dividends if those dividends are declared or paid on both Class B and Class C common stock. Class B stockholders are entitled to voting rights as defined in the certificate of incorporation. Class B stockholders, acting together with Class C stockholders as a separate class, have the right to elect up to eleven directors. These directors will have one vote on matters on which they are entitled to vote. As described in Note 12, the Class C common stock allocated to ESOP participants is subject to a put option to the Company as long as such shares are not readily tradable.

In addition to any rights stated above with respect to Class A and Class B stockholders, Class C stockholders are entitled to receive dividends and are entitled to one vote each on matters submitted to a vote of stockholders.

In the event of liquidation, dissolution, or winding up of the Company, after payment of debts and other liabilities and any preferences to holders of preferred stock, the holders of Class A, B and C common stock will share ratably in the remaining assets of the Company, except that holders of Class A common stock will not receive more than \$0.07 per share.

The Company has agreed to use its best efforts to provide that certain Class B stockholders and holders of options to purchase Class B stock have a priority right to sell a certain portion of their Class B common stock to the ESOP in the event that the ESOP trust purchases additional shares (see Note 12).

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THE CASSIDY COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

11. COMMON STOCK--(CONTINUED)

The following table sets forth the computation of basic and diluted earnings per share:

<TABLE>

<CAPTION>

	SIX MONTHS ENDED				
	JUNE 30,		YEAR ENDED DECEMBER 31,		
	1998	1997	1997	1996	1995
	(UNAUDITED)				
	<C>	<C>	<C>	<C>	<C>
Numerator:					
Net (loss) income (no reconciling items for basic or diluted earnings per share calculations).....	\$ (866)	\$ (55)	\$ 713	\$ (1,774)	\$ (2,344)
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----
Denominator:					
Denominator for basic earnings per share--weighted average shares (in thousands).....	7,525	6,489	6,534	5,503	4,490
Effect of dilutive securities:					
Employee stock options (in thousands).....	1,070	1,070	1,070	--	--
	-----	-----	-----	-----	-----
Dilutive potential common shares (in thousands).....	1,070	1,070	1,070	--	--
	-----	-----	-----	-----	-----
Denominator for diluted earnings per share--adjusted weighted average shares and assumed conversions (in thousands).....	8,595	7,559	7,604	5,503	4,490
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----
Basic earnings per share.....	\$ (0.12)	\$ (0.01)	\$ 0.11	\$ (0.32)	\$ (0.52)
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----
Diluted earnings per share.....	\$ (0.10)	\$ (0.01)	\$ 0.09	\$ (0.32)	\$ (0.52)
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

</TABLE>

The dilutive effect on earnings per share is attributable to Class B stock options (see Note 15 for further discussion). As discussed in Note 19 the Class B stock options will be converted to interests in the deferred stock

compensation plan at the consummation of the offering. In addition, the above per share amounts have been adjusted to give consideration to the 180:1 reverse stock split as to Class A common stock and the 15:1 stock split authorized by the Company's Board of Directors on July 15, 1998 as more fully discussed in Note 19.

12. EMPLOYEE STOCK OWNERSHIP PLAN

On October 2, 1989, the Company borrowed \$15,000, which was then loaned by the Company to the newly formed The Cassidy Companies, Inc. Employee Stock Ownership Trust (the ESOP) on the same terms. The final payment on this loan was made during 1997. With the proceeds, the ESOP purchased 1,222,830 shares of the Company's outstanding common stock at a price of \$12.27 per share.

On March 9, 1994, the Company borrowed \$18,000 (see Note 10), which was then loaned by the Company to the ESOP on the same terms. With the proceeds, the ESOP purchased 2,231,415 shares of the Company's outstanding common stock at a price of \$8.07 per share. The ESOP owns all of the Company's outstanding Class C common stock.

The Company's notes receivable from the ESOP are secured by any unallocated shares purchased by the ESOP. The notes will be repaid from future contributions by the Company to the ESOP and/or dividends on the Company's shares held by the ESOP. Unearned ESOP shares are classified as a component of stockholders' deficit in the accompanying consolidated balance sheets. The amount of the Company's annual contribution to the ESOP is discretionary except that it must be sufficient, together with dividends paid on shares held by the

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THE CASSIDY COMPANIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

12. EMPLOYEE STOCK OWNERSHIP PLAN--(CONTINUED)

ESOP, to enable the ESOP to meet its current obligations. As the loans are repaid, common stock is committed to be released to ESOP participants.

Employees of the Company are generally eligible to participate in the Plan after at least six months of service, provided they have worked at least 500 hours during such employment period and have attained age twenty-one. Alternatively, employees who have worked at least 1,000 hours during their first employment year and have attained age twenty-one are eligible to participate. Participants who do not have at least 1,000 hours of service during a plan year

or who are not employed on the last working day of a plan year are generally not eligible for an allocation of Company contributions for such year.

The Plan's participants are entitled to receive distributions from the ESOP as determined under the terms of the Plan. If the distribution includes shares of stock which are not readily tradable, the participant has the option to have such shares purchased by the Company at fair market value. If, at any time prior to October 2, 2000, any participant exercises the option to have the Company purchase shares which were originally issued in connection with the 1989 ESOP transaction, the minimum price paid by the Company will be \$12.27 per share. No such minimum price per share exists for shares issued in connection with the 1994 ESOP transaction. During the years ended December 31, 1997, 1996, and 1995, the Company purchased 30,930, 11,235, and 20,310 Class C shares, respectively, from ESOP participants who terminated employment under the terms of the put option. The Company's obligation to purchase shares allocated to Plan participants if all participants terminated employment and exercised their options to have the Company purchase their Class C common shares would be \$21,392, \$20,049, and \$16,411 as of June 30, 1998 and December 31, 1997 and 1996, respectively. The ESOP participants put options terminate upon the Company's stock becoming readily tradable.

Under the terms of a stockholders' agreement, the ESOP has co-sale rights with respect to specified future sales of the Company's stock by the Company's chairman and chief executive officer, the co-sale rights will terminate upon the Company's stock becoming readily tradable.

The Company records ESOP related transactions in accordance with AICPA Statement of Position 93-6 (SOP), 'Employers' Accounting for Employee Stock Ownership Plans.' The significant provisions of the SOP are that 1) compensation expense is recognized at the fair value of shares when committed to be released; and 2) dividends on unallocated shares used for debt service are reported as a reduction of debt or accrued interest, and do not reduce compensation and interest expense. Dividends on allocated shares are recorded as an increase to accumulated deficit.

The following is a summary of compensation expense related to the ESOP:

<TABLE>
<CAPTION>

SIX MONTHS ENDED				
JUNE 30,		YEAR ENDED DECEMBER 31,		
-----	-----	-----	-----	-----
1998	1997	1997	1996	1995
-----	-----	-----	-----	-----
(UNAUDITED)				
<C>	<C>	<C>	<C>	<C>

<S>

ESOP shares released at fair value.....	\$1,340	\$1,048	\$2,090	\$1,580	\$2,050
Less: dividend on allocated shares.....	--	--	--	(313)	(733)
	-----	-----	-----	-----	-----
Net ESOP compensation expense.....	\$1,340	\$1,048	\$2,090	\$1,267	\$1,317
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----
ESOP interest expense.....	\$ 529	\$ 691	\$1,402	\$1,767	\$1,861
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

</TABLE>

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<PAGE>

THE CASSIDY COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

12. EMPLOYEE STOCK OWNERSHIP PLAN--(CONTINUED)

The status of Class C shares were as follows:

<TABLE>

<CAPTION>

	JUNE 30,	DECEMBER 31,	
	-----	-----	-----
	1998	1997	1996
	-----	-----	-----
	(IN THOUSANDS OF SHARES)		
	<C>	<C>	<C>
	(UNAUDITED)		
Allocated shares.....	2,201	1,995	1,629
Unreleased shares.....	1,253	1,459	1,825
	-----	-----	-----
Total shares.....	3,454	3,454	3,454
Less shares held in treasury.....		(72)	(41)
	-----	-----	-----
Total ESOP shares.....	3,382	3,382	3,413
	-----	-----	-----
	-----	-----	-----
Fair value of unreleased shares as determined by an independent appraisal performed as of December 31, 1997, 1996 and 1995, respectively, (no appraisals are prepared as of interim dates).....		\$9,506	\$ 8,906
	-----	-----	-----
	-----	-----	-----

</TABLE>

13. INCOME TAXES

The components of the (provision) benefit for income taxes related to continuing operations were as follows:

<TABLE>

<CAPTION>

	YEARS ENDED DECEMBER 31,			
	1997	1996	1995	
SIX MONTHS	-----	-----	-----	-----
ENDED				
JUNE 30,				

1998				

(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>
Current:				
Federal.....	\$ (117)	\$ (778)	\$ 30	\$(1,050)
State.....	(314)	(316)	(47)	(248)
	-----	-----	-----	-----
Total current.....	(431)	(1,094)	(17)	(1,298)
Deferred:				
Federal.....	--	--	--	--
State.....	--	--	--	--
	-----	-----	-----	-----
Total deferred.....	--	--	--	--
	-----	-----	-----	-----
(Provision) benefit for income taxes.....	\$ (431)	\$(1,094)	\$ (17)	\$(1,298)
	-----	-----	-----	-----
	-----	-----	-----	-----

</TABLE>

The income tax (provision) benefit charged to discontinued operations for the six months ended June 30, 1998 was \$235, and for the years ended December 31, 1997, 1996, and 1995 was \$486, \$229, and \$(340), respectively.

The provision for income taxes does not reflect the benefit realized for the deduction of the excess of the cost of ESOP shares released over the fair market value of those shares of approximately \$177 for the six months ended June 30, 1998 and \$471, \$98, and \$528 for the years ended December 31, 1997, 1996, and 1995, respectively. The benefit related to this difference was charged directly to income taxes payable with a corresponding credit directly to additional paid-in capital.

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THE CASSIDY COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

13. INCOME TAXES--(CONTINUED)

Deferred income tax assets and liabilities are computed based on the difference between the financial statement and tax bases of assets and liabilities using the enacted marginal tax rate in effect for the year in which the differences are expected to reverse. The components of the Company's deferred tax assets and liabilities were as follows:

<TABLE>
<CAPTION>

	DECEMBER 31,		

	1997	1996	
SIX MONTHS	-----	-----	
ENDED			
JUNE 30,			
1998			

	(UNAUDITED)		
<S>	<C>	<C>	<C>
Deferred income tax liabilities:			
Depreciation.....	\$ (314)	\$ (301)	\$ (266)
	-----	-----	-----
	(314)	(301)	(266)
Deferred income tax assets:			
Deferred compensation.....	2,464	2,464	2,485
ESOP compensation expense, currently not deductible.....		800	800 814
Deferred rent.....	1,038	1,067	1,208
NOL carryforwards.....	2,563	2,968	3,550
Alternative minimum tax credit carryforwards.....		519	398 386
Deferred income.....	345	358	143
Accounts receivable allowance.....		221	226 114
Other.....	589	531	413
Valuation allowance.....	(8,225)	(8,511)	(8,847)
	-----	-----	-----
Net deferred income tax asset.....	\$ --	\$ --	\$ --
	-----	-----	-----
	-----	-----	-----

</TABLE>

Approximately \$2,350 and \$2,300 of the above benefit for NOL carryforwards as of June 30, 1998 and December 31, 1997, respectively, relate to tax deductions resulting from the excess of the cost over the fair market value of ESOP shares released. This benefit, when and if realized, will reduce income taxes payable with a corresponding credit directly to additional paid in capital. The Company has provided a valuation allowance to offset its entire net deferred tax asset because management is unable to conclude it is more likely than not that such benefits will be realized.

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THE CASSIDY COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

13. INCOME TAXES--(CONTINUED)

The reconciliation of the (provision) benefit for income taxes related to continuing operations from the statutory rate of 34% is:

<TABLE>

<CAPTION>

	YEARS ENDED DECEMBER 31,			
	1997	1996	1995	
SIX MONTHS ENDED JUNE 30,	-----	-----	-----	-----
1998	-----	-----	-----	-----
(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>
Tax at statutory rates.....	\$ (718)	\$ (1,501)	\$ (80)	\$ (65)
Non-deductible expenses.....	(159)	(313)	(316)	(192)
State income tax net of federal benefit.....	(314)	(317)	(47)	(248)
Valuation allowance change.....	760	1,037	426	(793)
	-----	-----	-----	-----
	\$ (431)	\$ (1,094)	\$ (17)	\$ (1,298)
	-----	-----	-----	-----
	-----	-----	-----	-----

</TABLE>

At June 30, 1998 and December 31, 1997, the Company had a net operating loss carryforward of approximately \$6,700 and \$7,800, which expires in 2009 through 2011. In addition, the Company has an alternative minimum tax credit carryforward of approximately \$519 at June 30, 1998 and \$398 at December 31, 1997 which has no expiration date.

14. SEGMENT REPORTING

The Company's reportable segments are segregated into business units that offer services for two distinct purposes: government relations and public affairs. The Company's government relations segment, comprised of C&A and B&M, provides expert representation and advocacy in the legislative and regulatory process. The public affairs segment, comprised of PT, FSR and B&A, provides crisis communications, opinion research and litigation support services.

The Company evaluates performance and allocates resources based on profit or loss from operations before income taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. There are no intersegment sales and transfers. All services provided to clients and customers are performed in the United States.

During the six months ended June 30, 1998, the government relations group recognized revenues and income from operations of \$13,539 and \$1,452, respectively, and held assets of \$8,503 as of June 30, 1998. The public affairs group recognized revenues and income from operations of \$8,623 and \$230 during the six months ended June 30, 1998 and held assets of \$6,260 as of June 30, 1998.

Activity for the segments, corporate headquarters, and discontinued operations are as follows:

<TABLE>

<CAPTION>

	GOVERNMENT RELATIONS	PUBLIC AFFAIRS	CORPORATE	DISCONTINUED OPERATIONS	TOTAL
	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	<C>
Year Ended December 31, 1997:					
Revenues from external customers.....	\$ 26,384	\$14,661	\$ --	\$ 2,898	\$43,943
Income from operations.....	3,228	95	--	(2,610)	713
Depreciation expense.....	382	157	76	--	615
Segment assets.....	7,413	5,580	3,047	1,937	17,977
Expenditures for long-lived assets.....	432	7	862	62	1,363

</TABLE>

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THE CASSIDY COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

14. SEGMENT REPORTING--(CONTINUED)

<TABLE>
<CAPTION>

	GOVERNMENT RELATIONS	PUBLIC AFFAIRS	CORPORATE	DISCONTINUED OPERATIONS	TOTAL
	-----	-----	-----	-----	-----
Year Ended December 31, 1996:					
<S>	<C>	<C>	<C>	<C>	<C>
Revenues from external customers.....	\$ 23,007	\$13,450	\$ --	\$ 2,687	\$39,144
Income from operations.....	232	(481)	--	(1,525)	(1,774)
Depreciation expense.....	265	306	--	94	665
Segment assets.....	6,971	3,845	2,520	1,318	14,654
Expenditures for long-lived assets.....	146	325	--	--	471
Year Ended December 31, 1995:					
Revenues from external customers.....	\$ 23,891	\$12,383	\$ --	\$ 1,899	\$38,173
Income from operations.....	130	(1,236)	--	(1,238)	(2,344)
Depreciation expense.....	382	176	--	94	652

</TABLE>

The reconciling item to adjust total consolidated assets to segment assets is the amount of liabilities included in net assets of discontinued operations, such amounts at June 30, 1998 and December 31, 1997 and 1996 were \$242, \$325 and \$456, respectively.

15. RESTRICTED STOCK AND STOCK OPTIONS ISSUED

At December 31, 1997, a total of 2,097,570 outstanding shares of Class B common stock and 62,595 options to purchase Class B common stock, with an exercise price of \$0.00067 per share, have been issued to employees subject to certain significant restrictions. The shares and the Class B shares issuable upon exercise of the options are generally nontransferable and are either forfeitable upon termination of employment or for any reason other than death or disability. The restrictions regarding forfeiture of the shares described above will lapse upon a change in control of the Company or upon a discretionary decision to remove the restrictions by the Company's Board of Directors. No amounts have been recorded as compensation in the accompanying consolidated

financial statements relating to these grants of shares and stock options. Compensation expense will be recorded based on the fair market value of the shares in the event the restrictions are released.

In addition to the stock options discussed above, the Company has granted options to purchase 1,060,215 shares of Class B common stock to an officer of the Company pursuant to an employment agreement. These options were granted at an exercise price of \$0.00067 per share and expire 20 years after the grant date. Compensation expense related to these options, which approximately the fair value of the underlying shares, totaled \$-0-, \$1,313, and \$1,277 in 1997, 1996, and 1995, respectively. Option grants were \$-0-, \$-0-, and \$279,585 during the years ended December 31, 1997, 1996, and 1995.

16. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office space under several noncancelable operating leases that expire at various dates through 2006. Certain of the leases required no payment during a portion of the lease term. Rent expense under all leases is recognized on a straight-line basis, and a deferred rent obligation has been recognized in the accompanying financial statements related to periods of free rent, improvement allowances, and certain expenses

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THE CASSIDY COMPANIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

16. COMMITMENTS AND CONTINGENCIES--(CONTINUED)

paid by the lessor. Future minimum lease payments under noncancelable leases as of December 31, 1997 are as follows.

<TABLE>

<S>	<C>
1998.....	\$ 2,821
1999.....	2,807
2000.....	2,873
2001.....	2,861
2002.....	1,509
Thereafter.....	5,572

Total minimum lease payments..... \$18,443

</TABLE>

Office rental expense charged to expense for the years ended December 31, 1997 1996 and 1995 was approximately \$3,030, \$2,872, and \$2,614, respectively.

Certain office space leases provide for renewal options at their fair rental value at the time of renewal.

Consulting Agreements

The Company has oral and written consulting agreements with various firms and individuals that refer clients to the Company. Many of these agreements provide for payments based on a percentage of the fees earned from the client relationship. Total consulting expense was approximately \$1,268 and \$1,252 for the six month periods ended June 30, 1998 and 1997, respectively and \$2,851 \$3,122 and \$3,211 for the years ended December 31, 1997 1996 and 1995, respectively.

17. LIFE INSURANCE

The Company maintains life insurance policies in the aggregate of \$29,500 on nine of its key officers.

18. DISCONTINUED OPERATIONS

Effective July 15, 1998, the Company has adopted a plan to dispose of its PTC and PTNY businesses. In addition, the Company discontinued its SR business as of February 1997. These businesses are reported separately in the statements of operations as discontinued operations.

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THE CASSIDY COMPANIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

18. DISCONTINUED OPERATIONS--(CONTINUED)

Summary operating results of the discontinued operations are as follows:

<TABLE>

<CAPTION>

SIX MONTHS ENDED

	JUNE 30,		YEAR ENDED DECEMBER 31,		
	1998	1997	1997	1996	1995
	(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>	<C>
Net Revenues:					
PTC.....	\$1,361	\$ 7	\$ 628	\$ --	\$ --
SR.....	--	109	109	711	1,607
PTNY.....	1,409	1,302	2,161	1,976	292
	-----	-----	-----	-----	-----
	\$2,770	\$1,418	\$2,898	\$2,687	\$1,899
	-----	-----	-----	-----	-----
Loss from operations, net of tax:					
PTC.....	\$ 185	\$ 79	\$ 678	\$ 260	\$ --
SR.....	--	737	645	654	698
PTNY.....	363	317	1,287	611	540
	-----	-----	-----	-----	-----
	548	1,133	2,610	1,525	1,238
Provision for loss on disposition, net of tax.....			2,000	--	--
	-----	-----	-----	-----	-----
Total loss from discontinued operations.....			\$2,548	\$1,133	\$2,610
	-----	-----	-----	-----	-----
				\$1,525	\$1,238

</TABLE>

19. SUBSEQUENT EVENTS

On July 15, 1998, the Board of Directors authorized the Company to file a Registration Statement with the Securities and Exchange Commission permitting the Company to sell shares of its Common Stock to the public in an Initial Public Offering (the 'Offering'). In connection with this authorization, the Board of Directors of the Company has approved additional related actions to facilitate the Offering as described below.

The Board of Directors, as well as the stockholders, have approved the reclassification of the Company's three outstanding classes of common stock into shares of the Common Stock. As a result, the Company will have only one class of authorized and issued equity securities upon the closing of the Offering.

The Company has entered into an understanding with 65 holders of 2,097,570 shares of its class B common stock by which the holders will surrender the shares of class B stock owned by them all of which are subject to significant restrictions (see Note 15), and will receive interests in a trust upon the closing of the Offering. In addition, the Company's outstanding Class B Stock

Options will be canceled and holders thereof will receive interests in a trust upon the closing of the Offering. The issuance of the common stock interests to the trust, which are not subject to the significant restrictions referred to above, will result in a charge to operations in the period the Offering is consummated equal to the number of shares issued to the trust times the Offering price per share.

On July 15, 1998, the Company's Board of Directors authorized (i) a 180 for 1 reverse stock split of its Class A Common Stock; (ii) conversion of the Class A Common Stock to Class B Common Stock; and (iii) a 15 for 1 split of the Company's \$0.01 par value Common Stock, which will become effective upon the closing of the Offering. All references in the accompanying consolidated financial statements have been restated to reflect the split of the Company's Common Stock.

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THE CASSIDY COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997, 1996 AND 1995 AND JUNE 30, 1998
(DOLLARS IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

19. SUBSEQUENT EVENTS--(CONTINUED)

Upon completion of the Offering, the ESOP trustee is expected to pay the outstanding balance on the ESOP debt along with accrued interest and a prepayment penalty thereon. Once the ESOP debt has been repaid, the remaining unallocated ESOP shares will be released as security for the ESOP debt and then allocated to ESOP participants. The fair market value of shares released to ESOP participants is charged to ESOP stock compensation expense. The estimated charge to operations related to the awarding of these shares is expected to approximate the number of shares to be allocated at the price of the Common Stock at the Offering and is estimated to be approximately \$5 million. Upon completion of the Offering and the repayment of the outstanding balance on the ESOP debt, the Company will discontinue making contributions to the ESOP and initiate a process to design and implement a replacement benefit plan for its employees.

In addition, on July 15, 1998 the Company's board of directors voted to distribute its ownership interest in Galway Partners, L.L.C. to the Company's stockholders prior to the Offering.

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Member

Pickholz Tweedy Cowan, LLC

We have audited the accompanying balance sheets of Pickholz Tweedy Cowan, LLC ('the Company') as of December 31, 1997 and 1996, and the related statements of operations, member's equity, and cash flows for the year ended December 31, 1997 and the period from January 19, 1996 (inception) to December 31, 1996, respectively. These financial statements are the responsibility of the Company's management. 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 Pickholz Tweedy Cowan, LLC at December 31, 1997 and 1996, and the results of its operations and its cash flows for the year ended December 31, 1997, and the period from January 19, 1996 (inception) to December 31, 1996, respectively, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLC

Washington, DC
June 19, 1998

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<PAGE>

PICKHOLZ TWEEDY COWAN, LLC
BALANCE SHEETS

<TABLE>

<CAPTION>

<S>

ASSETS

	DECEMBER 31,	
	1997	1996
	-----	-----
<C>	<C>	<C>

Current assets:

Cash and cash equivalents.....	\$ 29,343	\$ 426,228
--------------------------------	-----------	------------

Accounts receivable, net of allowance for doubtful accounts of \$53,534 and \$4,790 at December 31, 1997 and 1996, respectively.....	642,173	62,540
Other current assets.....	8,168	32,100
	-----	-----
Total current assets.....	679,684	520,868
Property and equipment, net.....	66,122	62,748
	-----	-----
Total assets.....	\$ 745,806	\$ 583,616
	-----	-----

LIABILITIES AND MEMBER'S EQUITY

Current liabilities:		
Accounts payable.....	\$ 631,337	\$ 198,916
Accrued payroll.....	50,952	--
Due to related party.....	--	141,859
	-----	-----
Total current liabilities.....	682,289	340,775
Member's equity:		
Paid-in capital.....	2,014,853	1,119,486
Less: note receivable.....	(98,956)	(75,000)
Accumulated deficit.....	(1,852,380)	(801,645)
	-----	-----
Total member's equity.....	63,517	242,841
	-----	-----
Total liabilities and member's equity.....	\$ 745,806	\$ 583,616
	-----	-----

</TABLE>

See accompanying notes.

<PAGE>

**PICKHOLZ TWEEDY COWAN, LLC
STATEMENTS OF OPERATIONS**

<TABLE>

<CAPTION>

	PERIOD FROM
	JANUARY 19,
	1996
YEAR ENDED	(INCEPTION) TO
DECEMBER 31,	DECEMBER 31,
1997	1996

<S>

<C>

<C>

Sales.....	\$ 957,842	\$ 815,707	
Selling, general and administrative expenses.....		2,015,940	1,649,452
	-----	-----	
Loss from operations.....	(1,058,098)	(833,745)	
Other income (expense):			
Interest income.....	8,172	32,100	
Other expense.....	(809)	--	
	-----	-----	
Net loss.....	\$(1,050,735)	\$ (801,645)	
	-----	-----	
	-----	-----	

</TABLE>

See accompanying notes.

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<PAGE>

PICKHOLZ TWEEDY COWAN, LLC
STATEMENTS OF MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1997 AND THE PERIOD FROM
JANUARY 19, 1996 (INCEPTION) TO DECEMBER 31, 1996

<TABLE>

<CAPTION>

	NOTE			
	PAID IN CAPITAL	ACCUMULATED DEFICIT	RECEIVABLE- MEMBER	TOTAL
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Balance at January 19, 1996 (inception).....	\$ --	\$ --	\$ --	\$ --
Initial capital contribution.....	1,000,000	--	(550,000)	450,000
Additional capital contribution--The Cassidy Companies, Inc.....	119,486		119,486	
Payments on note receivable-member.....			475,000	475,000
Net loss.....	--	(801,645)	--	(801,645)
	-----	-----	-----	-----
Balance at December 31, 1996.....	1,119,486	(801,645)	(75,000)	242,841
Additional capital contribution--The Cassidy Companies, Inc.....	895,367		895,367	
Restructuring of note receivable.....			(23,956)	(23,956)
Net loss.....	--	(1,050,735)	(1,050,735)	
	-----	-----	-----	-----
Balance at December 31, 1997.....	\$2,014,853	\$(1,852,380)	\$ (98,956)	\$ 63,517
	-----	-----	-----	-----
	-----	-----	-----	-----

</TABLE>

See accompanying notes.

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<PAGE>

PICKHOLZ TWEEDY COWAN, LLC
STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

	PERIOD FROM	
	JANUARY 19, 1996	
	YEAR ENDED	(INCEPTION) TO
	DECEMBER 31,	DECEMBER 31,
	1997	1996
	-----	-----
<S>	<C>	<C>
Operating Activities		
Net loss.....	\$ (1,050,735)	\$ (801,645)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation.....	10,608	8,655
Changes in operating assets liabilities:		
Accounts receivable.....	(579,633)	(62,540)
Other current assets.....	23,932	(32,100)
Accounts payable.....	432,421	198,916
Accrued salaries.....	50,952	--
Due to related party.....	(141,859)	141,859
	-----	-----
Net cash (used in) operating activities.....	(1,254,314)	(546,855)
Investing Activities		
Purchase of property and equipment.....	(13,982)	(71,403)
	-----	-----
Net cash used in investing activities.....	(13,982)	(71,403)
Financing Activities		
Additional capital contributions--The Cassidy Companies, Inc.....	895,367	119,486
Restructuring of note receivable.....	(23,956)	--
Proceeds from capital contributions.....	--	925,000
	-----	-----
Net cash provided by financing activities.....	871,411	1,044,486
	-----	-----
Net (decrease) increase in cash and cash equivalents.....	(396,885)	426,228
Cash and cash equivalents at beginning of period.....	426,228	--
	-----	-----
Cash and cash equivalents at end of period.....	\$ 29,343	\$ 426,228

</TABLE>

See accompanying notes.

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PICKHOLZ TWEEDY COWAN, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND 1996

1. THE COMPANY

Pickholz Tweedy Cowan, LLC, a limited liability company (the 'Company'), is engaged in the direct marketing business. The Company was formed on January 19, 1996 under an LLC agreement whereby The Cassidy Companies, Inc. ('Parent') and Pickholz Tweedy Cowan, Inc. ('PTC') each owned 50% of the Company. The provisions of the LLC agreement provided PTC with a put option to sell its interest in the Company to the Parent at an unspecified date for a specified value of the Parent's Class B Common Stock. In June 1997, PTC exercised its put option and sold its 50% interest in the Company to the Parent. As of December 31, 1997, the Company is a wholly owned subsidiary of the Parent.

The Company's financial statements have been presented on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. While the Company has experienced losses during the year ended December 31, 1997 and the period from January 19, 1996 (inception) to December 31, 1996, it believes that its existing resources, anticipated cash flows from operations, and funding from its Parent (if needed) will provide sufficient resources to fund its operating activities for 1998.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company recognizes revenue based on monthly, quarterly and other retainer periods starting in the month service begins. Certain client arrangements provide for billings based on hours incurred at specified rates. Revenues on these arrangements are recognized as services are provided.

Unbilled Accounts Receivable

Certain of the Company's clients are billed in the month following the month of service. Unbilled accounts receivable represent fees that have been

earned but will be billed in subsequent periods together with incurred expenses.

Cash and Cash Equivalents

The Company considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<S>	<C>
Furniture and fixtures.....	10 years
Computer hardware.....	5 years
Computer software.....	3 years

Selling and Marketing

Selling and marketing costs are charged to expense as incurred. For the year ended December 31, 1997 and the period from January 19, 1996 (inception) to December 31, 1996, total selling and marketing expenses were \$62,661 and \$32,457, respectively.

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PICKHOLZ TWEEDY COWAN, LLC
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Fair Value of Financial Instruments

The Company considers the recorded value of its financial assets and liabilities, consisting primarily of cash, receivables, accounts payable and accrued liabilities to approximate the fair value of the respective assets and liabilities.

Income Taxes

The Company is treated as a partnership for income tax purposes. Accordingly, no provision for income taxes has been included in these financial

statements, as taxable income or loss passes through to, and is reported by, the member.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

<TABLE>

<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Furniture and fixtures.....	\$ 55,241	\$55,546
Computer hardware.....	26,519	12,232
Computer software.....	3,625	3,625
	-----	-----
	85,385	71,403
Less accumulated depreciation.....	(19,263)	(8,655)
	-----	-----
	\$ 66,122	\$62,748
	-----	-----
	-----	-----

</TABLE>

4. COMMITMENTS

Operating Leases

The Company leases its facilities under a sub-lease from a subsidiary of the Parent. Operating costs are allocated to the Company as defined in the sub-lease. Effective January 1998, the Company entered into a five year lease for its facilities with an unrelated third party.

At December 31, 1997, minimum annual lease obligations under operating leases are as follows:

<TABLE>

<CAPTION>

YEAR ENDING
DECEMBER 31

<S>	<C>
1998.....	\$115,500
1999.....	115,500
2000.....	115,500
2001.....	115,500
2002.....	115,500

	\$577,500

</TABLE>

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<PAGE>

PICKHOLZ TWEEDY COWAN, LLC
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

4. COMMITMENTS--(CONTINUED)

Rent expense was \$129,200 and \$120,227 for the year ended December 31, 1997 and the period from January 19, 1996 (inception) to December 31, 1996, respectively.

As part of the lease agreement, office operating costs are allocated to the Company equal to 11% of total office expenses as defined under the agreement. These amounts totaled \$27,000 and \$23,000 for the year ended December 31, 1997 and the period from January 19, 1996 (inception) to December 31, 1996.

5. RELATED PARTY TRANSACTIONS

The Company rents office space from a subsidiary of the Parent under a sublease agreement. Rent and office expenses under the sub-lease agreement were \$268,330 and \$253,176 for the year ended December 31, 1997 and the period from January 19, 1996 (inception) to December 31, 1996, respectively. Amounts due to the subsidiary of the Parent at December 31, 1997 and 1996 were \$0 and \$141,859, respectively.

In connection with the start up of the Company, two promissory notes totaling \$550,000 were issued by the Parent and PTC to the Company. These notes bore interest at 8% and were payable on demand. Balances due from the Parent and PTC at December 31, 1996 were \$0 and \$75,000, respectively.

In July 1997, the Company agreed to refinance the promissory note receivable from PTC. The new terms state the principal and accrued interest are payable upon the next Employee Stock Ownership Plan transaction by the Parent. Under the new note, any unpaid interest through the restructuring date was added to the principal balance. Principal and interest due at December 31, 1997 were \$98,956 and \$7,672, respectively.

Accrued interest in connection with these notes at December 31, 1997 and 1996 totaled \$7,672 and \$32,100, respectively.

During the year ended December 31, 1997 and the period from January 19, 1996 (inception) to December 31, 1996, the Parent funded the Company's payroll and operating expenses. These payments are recorded as paid in capital by the Company.

6. MEMBER EQUITY

Effective January 19, 1996, the Company was founded under an operating agreement by the Parent and PTC. Under this agreement the owners agreed to contribute \$1,000,000 to the start up of the Company.

In connection with the initial capital contribution, the founders signed promissory notes totaling \$550,000 as discussed above.

As discussed above, the Parent has funded certain of the Company's payroll and operating expenses. Amounts funded and recorded as paid in capital for the year ended December 31, 1997 and the period from January 19, 1996 (inception) to December 31, 1996 were \$895,367 and \$119,486, respectively.

7. SIGNIFICANT CUSTOMERS

The Company transacts business with two customers which generated approximately 61% and 30% of the total revenue recognized by the Company for the year ended December 31, 1997. Total revenues from these customers for the period January 19, 1996 (inception) to December 31, 1996 were approximately 57% and 33%, respectively, of the total revenues recognized by the Company.

8. RETIREMENT PLAN

The Company's employees are eligible to participate in the Parent's Employee Stock Ownership Plan and Trust (the ESOP).

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PICKHOLZ TWEEDY COWAN, LLC

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1997 AND 1996

8. RETIREMENT PLAN--(CONTINUED)

Employees of the Company are generally eligible to participate in the Plan after at least six months of service, provided they have worked at least 500 hours during such employment period and have attained age twenty-one. Alternatively, employees who have worked at least 1,000 hours during their first employment year and have attained age twenty-one are eligible to participate. Participants who do not have at least 1,000 hours of service during a plan year or who are not employed on the last working day of a plan year are generally not eligible for an allocation of Company contributions for such year.

The amount of the Parent's annual contribution to the ESOP is discretionary except that it must be sufficient, together with dividends paid on shares held by the ESOP, to enable the trust to meet its current obligations. The Plan's participants are entitled to receive distributions from the ESOP as determined under the terms of the Plan. If the distribution includes shares of stock which are not readily tradable, the participant has the option to have such shares purchased by the Parent at fair market value. There were no distributions to the Company's employees under the ESOP for the year ended December 31, 1997 or the period from January 19, 1996 (inception) to December 31, 1996.

9. SUBSEQUENT EVENT

In June 1998, the Parent implemented a process to divest of the Company. The Parent expects the divestiture to occur within twelve months.

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NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THE OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT 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 OR ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY, ANY PERSON OR BY ANYONE IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

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UNTIL _____, 1998 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE SHARES OF COMMON STOCK WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS 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.

SHARES

THE CASSIDY COMPANIES, INC.

COMMON STOCK

PROSPECTUS
-----FRIEDMAN, BILLINGS, RAMSEY & CO., INC.
, 1998-----
<PAGE>

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following are the estimated expenses payable by the Company in connection with the distribution of the Common Stock hereunder.

<TABLE>

<S>	<C>
SEC registration fee.....	\$13,570
NASD filing fee.....	5,100
Nasdaq Stock Market listing fee.....	*
Accounting fees and expenses.....	*
Legal fees and expenses.....	*
Printing and engraving expenses.....	*
Blue Sky fees and expenses.....	5,000
Transfer Agent fees and expenses.....	*
Miscellaneous expenses.....	*

Total.....	\$

</TABLE>

* To be furnished by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Under Section 145 of the DGCL, a corporation may indemnify its directors,

officers, employees and agents and its former directors, officers, employees and agents and those who serve, at the corporation's request, in such capacities with another enterprise, against expenses (including attorneys' fees), as well as judgments, fines and settlements in nonderivative lawsuits, actually and reasonably incurred in connection with the defense of any action, suit or proceeding in which they or any of them were or are made parties or are threatened to be made parties by reason of their serving or having served in such capacity. The DGCL provides, however, that such person must have acted in good faith and in a manner such person reasonably believed to be in (or not opposed to) the best interests of the corporation and, in the case of a criminal action, such person must have had no reasonable cause to believe his or her conduct was unlawful. In addition, the DGCL does not permit indemnification in an action or suit by or in the right of the corporation, where such person has been adjudged liable to the corporation, unless, and only to the extent that, a court determines that such person fairly and reasonably is entitled to indemnity for costs the court deems proper in light of liability adjudication. Indemnity is mandatory to the extent a claim, issue or matter has been successfully defended.

The Registrant's Certificate of Incorporation and Bylaws provide for the indemnification of directors and executive officers to the fullest extent permitted by the DGCL and authorize the indemnification by the Registrant of other officers, employees and other agents as set forth in the DGCL.

The Underwriting Agreement provides for indemnification by the Underwriters of the directors, officers and controlling persons of the Company against certain liabilities, including liabilities under the Securities Act, under certain circumstances.

It is anticipated that upon completion of the Offering, officers and directors of the Registrant will be covered by insurance which (with certain exceptions and within certain limitations) indemnifies them against losses and liabilities arising from any alleged 'wrongful act' including any alleged error or misstatement or misleading statement, or wrongful act or omission or neglect or breach of duty.

The Selling Stockholders will not bear any of the expenses of the Offering, other than payment of the underwriting discounts and commissions applicable to shares of the Common Stock sold by the Selling Stockholders.

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ITEM 16. EXHIBITS

<TABLE>

<CAPTION>

EXHIBIT

(a) NUMBER EXHIBIT DESCRIPTION

<S>	<C>	<C>
1		Form of Underwriting Agreement among the Company, the Selling Stockholders and the Underwriters*
3		Organizational Documents
		3.1 Articles of Incorporation of The Cassidy Companies, Inc., as amended
		3.2 Form of Amended and Restated Articles of Incorporation of The Cassidy Companies, Inc.
		3.3 Bylaws of The Cassidy Companies, Inc.
		3.4 Form of Amended Bylaws of The Cassidy Companies, Inc.
4		Specimen Common Stock Certificate*
5		Opinions re Legality
		5.1 Opinion of Hogan & Hartson L.L.P.*
10		Material Contracts
		10.1 ESOP Loan Agreement
		10.2 Deferred Stock Compensation Plan*
		10.3 1998 Stock Option and Incentive Plan
		10.4 Employment Agreement among the Company and its Executive Officers*
		10.5 Letter agreement between The Cassidy Companies, Inc. and the ESOP Trustee*
		10.6 Form of letter executed by holders of certain shares of Class B Common Stock*
21		List of Subsidiaries of The Cassidy Companies, Inc.
23		Consents of Experts and Counsel
		23.1 Consent of Hogan & Hartson L.L.P. (counsel) (included as part of Exhibit 5a)
		23.2 Consent of Ernst & Young LLP (accountants)
24		Powers of Attorney (included on signature pages of Registration Statement on page II-4)
27		Financial Data Schedules
		27.1 Financial Data Schedule for six months period ending June 30, 1998
		27.2 Financial Data Schedule for twelve month period ending December 31, 1997
99		Additional Exhibits
		99.1 Consent of John R. Silber to be named as a proposed director

* To be filed by amendment.

</TABLE>

(b) The financial statement schedules for which provision is made in the applicable accounting regulations of the SEC are either not required under the related instructions or are inapplicable, and therefore have been omitted.

ITEM 17. UNDERTAKINGS

The 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 pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC 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, 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 further 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

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<PAGE>

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 the Commission declared it 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 in this Registration Statement, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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<PAGE>

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THE REGISTRANT HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREIN TO BE DULY AUTHORIZED IN THE DISTRICT OF COLUMBIA, ON THIS 21ST DAY OF JULY, 1998.

THE CASSIDY COMPANIES, INC.

By: _____/s/ GERALD S. J. CASSIDY _____

Gerald S. J. Cassidy
Chairman and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Gerald S. J. Cassidy and Lester G. Fant III jointly and severally, each in his own capacity, as his true and lawful attorneys-in-fact, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, 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 full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

In accordance with the requirements of the Securities Act of 1933, as amended, this Registration Statement was signed by the following persons, in the capacities indicated below, on this 21st day of July, 1998.

<TABLE>

<CAPTION>

SIGNATURE

TITLE

<C>

/s/ GERALD S. J. CASSIDY

<S>

<C>

Chairman and Chief Executive Officer

Gerald S. J. Cassidy

/s/ JOHN T. HENDRICK

Principal Financial and Accounting Officer
and Director

John T. Hendrick

/s/ JAMES P. FABIANI

Vice Chairman and Director

James P. Fabiani

/s/ LESTER G. FANT III

Director

Lester G. Fant III

/s/ JOSEPH L. POWELL

Director

Joseph L. Powell

</TABLE>

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<PAGE>

EXHIBIT INDEX

<TABLE>

<CAPTION>

EXHIBIT

SEQUENTIAL

NUMBER EXHIBIT DESCRIPTION

PAGE NO.

<C> <S>

<C>

- | EXHIBIT NUMBER | EXHIBIT DESCRIPTION | SEQUENTIAL | PAGE NO. |
|----------------|--|------------|----------|
| 1 | Form of Underwriting Agreement among the Company, the Selling Stockholders and the Underwriters* | | |
| 3 | Organizational Documents | | |
| 3.1 | Articles of Incorporation of The Cassidy Companies, Inc., as amended | | |
| 3.2 | Form of Amended and Restated Articles of Incorporation of The Cassidy Companies, Inc. | | |
| 3.3 | Bylaws of The Cassidy Companies, Inc. | | |
| 3.4 | Form of Amended Bylaws of The Cassidy Companies, Inc. | | |
| 4 | Specimen Common Stock Certificate* | | |
| 5 | Opinions re Legality | | |
| 5.1 | Opinion of Hogan & Hartson L.L.P.* | | |
| 10 | Material Contracts | | |
| 10.1 | ESOP Loan Agreement | | |
| 10.2 | Deferred Stock Compensation Plan* | | |
| 10.3 | 1998 Stock Option and Incentive Plan | | |
| 10.4 | Employment Agreement among the Company and its Executive Officers* | | |
| 10.5 | Letter agreement between The Cassidy Companies, Inc. and the ESOP Trustee* | | |
| 10.6 | Form of letter executed by holders of certain shares of Class B Common Stock* | | |
| 21 | List of Subsidiaries of The Cassidy Companies, Inc. | | |
| 23 | Consents of Experts and Counsel | | |
| 23.1 | Consent of Hogan & Hartson L.L.P. (counsel) (included as part of Exhibit 5a) | | |
| 23.2 | Consent of Ernst & Young LLP (accountants) | | |
| 24 | Powers of Attorney (included on signature pages of Registration Statement on page II-4) | | |
| 27 | Financial Data Schedules | | |
| 27.1 | Financial Data Schedule for six month period ending June 30, 1998 | | |
| 27.2 | Financial Data Schedule for twelve month period ending December 31, 1998 | | |
| 99 | Additional Exhibits | | |
| 99.1 | Consent of John R. Silber to be named as a proposed director | | |

</TABLE>

* To be filed by amendment.

</TEXT>
</DOCUMENT>
<DOCUMENT>
<TYPE>EX-3.1
<SEQUENCE>2
<DESCRIPTION>CERTIFICATE OF INCORPORATION
<TEXT>

Exhibit 3.1

CERTIFICATE OF INCORPORATION OF THE CASSIDY COMPANIES, INC.

FIRST: The name of the Corporation is The Cassidy Companies, Inc.

SECOND: The address of the Corporation's registered office in the State of Delaware is 32 Loockerman Square, Suite L-100, in the City of Dover, County of Kent. The name of the Corporation's registered agent at such address is The Prentice-Hall Corporation System, Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes which the Corporation shall have authority to issue is 1,600,000 shares, of which (i) 100,000 shares, par value \$1.00 per share, shall be Preferred Stock ("Preferred Stock") and (ii) 1,500,000 shares, par value \$0.01 per share, shall be Class A Common Stock, Class B Common Stock and Class C Common Stock, to be issued as shares of Class A Common Stock, Class B Common Stock and/or Class C Common Stock as the Board of Directors shall resolve from time to time. The Class A Common Stock, Class B Common Stock and Class C Common Stock are sometimes hereinafter referred to collectively as "Common Stock". The relative powers and preferences and rights, and the qualifications, limitations or restrictions of the above classes of stock shall be as set forth hereinafter.

FIFTH: A. Shares of Preferred Stock may be issued in one or more series at such time or times, and for such consideration or considerations, as the Board

of Directors may determine.

B. The Board of Directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series with such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the Board of Directors, including, but not limited to, determination of any of the following:

(i) the distinctive serial designation and the number of shares constituting a series;

(ii) the dividend rate or rates, whether dividends shall be cumulative and, if so, from what date, the payment date or dates for dividends, and the participating or other special rights, if any, with respect to dividends;

<PAGE>

(iii) the voting powers full or limited, if any, of the shares of such series;

(iv) the amount or amounts payable upon the shares in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation prior to any payment or distribution of the assets of the Corporation to any class or classes or to any series of any class or classes, of stock of the Corporation ranking junior to the Preferred Stock;

(v) whether the shares shall be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation or any other corporation, and if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange; and

(vi) any other designations, preferences, and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of such series as the Board of Directors may deem advisable and as shall not be inconsistent with the provisions of this Certificate of Incorporation.

SIXTH: A. Except as otherwise required by law or expressly provided in this Certificate of Incorporation, each share of Class A Common Stock shall entitle the holder thereof to one (1) vote on each matter submitted to a vote of the stockholders.

B. The holders of shares of Class A Common Stock shall have the right, acting together with the holders of shares of Class C Common Stock as a separate class, to elect (and to remove with or without cause) not less than two (2) directors. Each director elected by the holders of shares of Class A Common Stock and Class C Common Stock shall have seven (7) votes on each matter on which a director is entitled to vote. Any vacancy occurring in the Board of Directors because of the death, resignation or removal for any cause of any director elected by the holders of shares of Class A Common Stock and Class C Common Stock may be filled only by such holders.

C. No dividends shall be declared or paid to holders of shares of Class A Common Stock in respect of such shares.

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SEVENTH: A. Except as otherwise required by law or expressly provided in this Certificate of Incorporation, the holders of shares of Class B Common Stock are not entitled to vote on matters submitted to the vote of stockholders. Each share of Class B Common Stock shall entitle the holder thereof to one (1) vote on each matter required by law or expressly provided hereby to be voted on by holders of shares of Class B Common Stock.

B. Without the favorable vote of holders of at least a majority of the issued and outstanding shares of Class B Common Stock, acting as a separate class, the Corporation shall not amend this Certificate of Incorporation if such amendment would:

(i) increase or decrease the par value of shares of Class B Common Stock; or

(ii) change the powers; preferences or special rights of the shares of Class B Common Stock so as to affect them adversely.

The number of authorized shares of Class B Common Stock may be increased or decreased, but not below the number of shares thereof then outstanding, by the affirmative vote of the holders of a majority of shares of Class A Common Stock

and Class C Common Stock.

C. The holders of shares of Class B Common Stock shall be entitled to dividends when and as the same shall be declared by the Board of Directors, and as the same may be permitted by law; provided, that dividends declared or paid on shares of Class B Common Stock shall also be declared and paid on shares of Class C Common Stock.

EIGHTH: A. Except as otherwise required by law or expressly provided in this Certificate of Incorporation, each share of Class C Common Stock shall entitle the holder thereof to one (1) vote on each matter submitted to a vote of the stockholders.

B. The holders of shares of Class C Common Stock shall have the right, acting together with the holders of shares of Class A Common Stock as a separate class, to elect (and to remove with or without cause) not less than two (2) directors. Each director elected by the holders of shares of Class C Common Stock and Class A Common Stock shall have seven (7) votes on each matter on which a director is entitled to vote. Any vacancy occurring in the Board of Directors because of the death, resignation or removal of any director elected by the holders of shares of Class A Common Stock and Class C Common Stock may be filled only by such holders.

C. The holders of shares of Class C Common Stock shall be entitled to dividends when and as the same shall be declared by the Board of Directors, and as the same may be permitted by law.

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NINTH: A. The holders of shares of Class B Common Stock shall have the right, acting together with the holders of shares of Class C Common Stock as a separate class, to elect (and remove with or without cause) such number of directors as shall be determined pursuant to the By-Laws of the Corporation. Each director elected by the holders of shares of Class B Common Stock and Class C Common Stock shall have one (1) vote on each matter on which a director is entitled to vote. Any vacancy occurring in the Board of Directors because of the death, resignation or removal of any director elected by holders of shares of Class B Common Stock and Class C Common Stock shall be filled in accordance with the Corporation's By-Laws.

B. In the event of any liquidation, dissolution or winding up of the

Corporation, whether voluntary or involuntary (sometimes referred to herein as liquidation), after payment or provision for payment of the debts and other payment or provision for payment of the debts and other liabilities of the Corporation and the preferential amounts to which the holders of any outstanding shares of Preferred Stock hereafter authorized shall be entitled upon liquidation, the holders of shares of Common Stock shall be entitled to share ratably in the remaining assets of the Corporation; provided, however, that holders of shares of Class A Common Stock shall not be entitled to receive more than \$1 of such remaining assets in respect of each such share of Class A Common Stock in the event of liquidation.

TENTH: In all respects other than as expressly set forth in this Certification of Incorporation, the Class A Common Stock, the Class B Common Stock and the Class C Common Stock shall be identical.

ELEVENTH: The name and mailing address of the incorporator of the Corporation are as follows:

Name	Address
----	-----
Imad I. Qasim	1722 Eye Street, N.W. Washington, DC 20006

TWELFTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to make, alter or repeal the By-Laws of the Corporation, subject to any specific limitation on such power provided by any By-Laws adopted by the stockholders.

THIRTEENTH: Elections of directors need not be by written ballot unless the By-Laws of the Corporation so provide.

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FOURTEENTH: The Corporation is to have perpetual existence.

FIFTEENTH: The Corporation reserves the right to amend, alter change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon the stockholders herein are granted subject to this reservation.

SIXTEENTH: A. A director of the Corporation shall not be personally liable

to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's 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) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of the State of Delaware is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended. Any repeal or modification of this Section A by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

B. Each person who was or is made a party or is threatened to be made a party to or is or was involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section C of this Article Sixteenth with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section B shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that if the General Corporation Law of the State of Delaware requires,

the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section B or otherwise.

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C. If a claim under Section B of this Article Sixteenth is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which make it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

D. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article Sixteenth shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-Law, agreement, vote of stockholders or disinterested directors or otherwise.

E. The Corporation may purchase and maintain insurance or furnish similar protection, including, but not limited to, providing a trust fund,

letter of credit, or self-insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expenses, liability or loss under the General Corporation Law of the State of Delaware.

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<PAGE>

F. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any agent of the Corporation to the fullest extent of the provisions of this Article Sixteenth with respect to the indemnification and advancement of expenses of directors, officers and employees of the Corporation.

THE UNDERSIGNED, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, makes this Certificate, hereby declaring and certifying that the facts herein stated are true, and accordingly has hereunto set his hand and seal this 13th day of March 1991.

/s/ Imad I. Qasim

Imad I. Qasim

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</TEXT>

</DOCUMENT>

<DOCUMENT>

<TYPE>EX-3.2

<SEQUENCE>3

<DESCRIPTION>AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

<TEXT>

Exhibit 3.2

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF THE CASSIDY COMPANIES, INC.

The Cassidy Companies, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The Corporation was originally incorporated on March 14, 1991, and its original Certificate of Incorporation was filed with the Secretary of the State of Delaware on the same date.
2. The Board of Directors of the Corporation, at a meeting duly called and held in accordance with the By-Laws of the Corporation and Section 141 of the General Corporation Law of the State of Delaware (the "Delaware General Corporation Law"), duly adopted resolutions proposing and declaring advisable the adoption of the Amended and Restated Certificate of Incorporation of the Corporation in the form hereof.
3. Holders of at least a majority of the outstanding shares of capital stock of the Corporation, in accordance with the By-Laws of the Corporation and Section 228 of the Delaware General Corporation Law, duly approved the Amended and Restated Certificate of Incorporation of the Corporation in the form hereof.
4. Having been duly adopted pursuant to Sections 242 and 245 of the Delaware General Corporation Law, this Amended and Restated Certificate of Incorporation restates and integrates and further amends the provisions previously filed with the Secretary of the State of Delaware.
5. The text of the Certificate of Incorporation of the Corporation hereby is amended and restated to read in its entirety as follows:

ARTICLE 1. CORPORATE TITLE

The name of the Corporation is THE CASSIDY COMPANIES, INC.

ARTICLE 2. PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

<PAGE>

ARTICLE 3. CAPITAL STOCK

3.1. Authorized Shares

The total number of shares of all classes which the Corporation shall have authority to issue is 55,000,000 shares, of which (i) 5,000,000 shares, par value \$1.00 per share, shall be Preferred Stock ("Preferred Stock") and (ii) 50,000,000 shares, par value \$0.01 per share, shall be common stock ("Common Stock"). The relative powers and preferences and rights, and the qualifications, limitations or restrictions of the above classes of stock shall be as set forth hereinafter.

3.2. Serial Preferred Stock

Shares of Preferred Stock may be issued in one or more series at such time or times, and for such consideration or considerations, as the Board of Directors may determine. The Board of Directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series with such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the Board of Directors, including, but not limited to, determination of any of the following:

(i) the distinctive serial designation and the number of shares constituting a series;

(ii) the dividend rate or rates, whether dividends shall be cumulative and, if so, from what date, the payment date or dates for dividends, and the participating or other special rights, if any, with respect to dividends;

(iii) the voting powers full or limited, if any, of the shares of such series;

(iv) the amount or amounts payable upon the shares in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation prior to any payment or distribution of the assets of the Corporation to any class or classes or to any series of any class or classes, of stock of the Corporation ranking junior to the Preferred Stock;

(v) whether the shares shall be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the

same or any other class or classes of stock of the Corporation or any other corporation, and if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange; and

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<PAGE>

(vi) any other designations, preferences, and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of such series as the Board of Directors may deem advisable and as shall not be inconsistent with the provisions of this Certificate of Incorporation.

3.3. Common Stock

Except as otherwise required by law or expressly provided in this Certificate of Incorporation, each share of Common Stock shall entitle the holder thereof to one (1) vote on each matter submitted to a vote of the stockholders. There shall be no cumulative voting in the election of directors.

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (sometimes referred to herein as liquidation), after payment or provision for payment of the debts and other payment or provision for payment of the debts and other liabilities of the Corporation and the preferential amounts to which the holders of any outstanding shares of Preferred Stock hereafter authorized shall be entitled upon liquidation, the holders of shares of Common Stock shall be entitled to share ratably in the remaining assets of the Corporation.

ARTICLE 4. DIRECTORS

4.1. Management of Business and Affairs of the Corporation

The business and affairs of the Corporation shall be managed by or under the directors of the Board of Directors.

4.2. Number of Directors

The Board of Directors shall consist of nine (9) directors. The Board of Directors shall divide the directors into three classes and, when the number of

directors is changed, shall determine the class or classes to which the increased or decreased number of directors shall be apportioned; provided that the directors in each class shall be as nearly equal in number as possible; and provided further, that no decrease in the number of directors shall affect the term of any director then in office.

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4.3. Classes of Directors

The Board of Directors shall initially be divided into three classes, designated as Class I, Class II and Class III, where three (3) directors shall be in Class I, two (2) directors shall be in Class II and two (2) directors shall be in Class III. The initial term of Class I directors shall expire at the annual meeting of stockholders in 1999, that of Class II shall expire at the annual meeting in 2000, and that of Class III directors shall expire at the annual meeting in 2001, and in all cases as to each director until his or her successor shall be elected and shall qualify, or until his or her earlier resignation, removal from office, death or incapacity.

Subject to the foregoing, at each annual meeting of stockholders the successors to the class of directors whose term shall then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting and until their successors shall be elected and qualified. Except as set forth in this Certificate and the By-Laws with respect to vacancies, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the duly constituted meeting and entitled to vote on the election of directors.

4.4. Nomination of Directors

The Board of Directors shall nominate candidates to stand for election as directors; and other candidates also may be nominated by any Corporation stockholder, provided such other nomination(s) is submitted in writing to the Secretary of the Corporation no earlier than one hundred twenty (120) days and no later than ninety (90) days prior to the meeting of stockholders at which such directors are to be elected, together with the identity of the nominating stockholder and the number of shares of the Corporation's stock owned, directly or indirectly, by the nominating stockholder. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2.4 of the By-Laws with respect to vacancies, and each director elected shall hold office

until such director's successor is elected and qualified or until the director's earlier death, resignation or removal. Directors need not be stockholders.

4.5. Vacancies

Any vacancy occurring in the Board of Directors, including any vacancy created by reason of an increase in the number of directors, shall be filled for the unexpired term by the concurring vote of a majority of the directors then in office, whether or not a quorum, and any director so chosen shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified.

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4.6. Removal of Directors

No director may be removed except for cause and then only at a duly constituted meeting of stockholders called for such purpose. At least ninety (90) days prior to such meeting of stockholders, written notice shall be sent to the director or directors whose removal will be considered at such meeting. The term "cause" shall mean (i) conduct, whether or not as a director of the Corporation or any subsidiary, involving willful material misconduct, breach of material fiduciary duty involving personal profit, or gross negligence as to material duties or (ii) conduct, whether or not as a director of the Corporation or any subsidiary, involving dishonesty or breach of trust which is punishable by imprisonment for a term exceeding one year under state or federal law.

4.7. Limitation of Liability

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's 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) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of the State of Delaware is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent

permitted by the General Corporation Law of the State of Delaware, as so amended. Any repeal or modification of this Article 4.7. by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE 5. MEETINGS OF STOCKHOLDERS

5.1. Action at Meetings

Any action required to be taken at any annual meeting or special meeting shall be taken at such annual meeting or special meeting. Any such action may not be taken by written consent in lieu of a meeting, unless such consent is unanimous.

5.2. Business at Meetings

Any Corporation stockholder may submit business items to be presented at the annual meeting or a special meeting, provided such submission is made in writing to the Secretary of the Corporation no earlier than one hundred twenty (120) days and no later than ninety (90) days prior to such annual or special meeting of stockholders, together with the identity of the stockholder submitting such item and the number of shares of the Corporation's stock owned, directly or indirectly, by such stockholder.

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5.3. Special Meetings

Special meetings of the stockholders may be called solely by the Board of Directors or the Chairman.

ARTICLE 6. BY-LAWS

The Board of Directors of the Corporation is expressly authorized to make, alter or repeal the By-Laws of the Corporation, subject to any specific limitation on such power provided by any By-Laws adopted by the stockholders.

ARTICLE 7. REGISTERED OFFICE

The address of the Corporation's registered office in the State of Delaware is 32 Loockerman Square, Suite L-100, in the City of Dover, County of Kent. The

name of the Corporation's registered agent at such address is The Prentice-Hall Corporation System, Inc.

ARTICLE 8. CORPORATE EXISTENCE

The Corporation is to have perpetual existence.

ARTICLE 9. INDEMNIFICATION

9.1. Authorization of Indemnification

Each person who was or is made a party or is threatened to be made a party to or is or was involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection

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therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Article 9.2. hereof with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to

indemnification conferred in this Article 9.1. shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that if the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Article 9.1. or otherwise.

9.2. Right of Claimant to Bring Action Against the Corporation

If a claim under Article 9.1. is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which make it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

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9.3. Non-exclusivity

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this

Article 9 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-Law, agreement, vote of stockholders or disinterested directors or otherwise.

9.4. Insurance

The Corporation may purchase and maintain insurance or furnish similar protection, including, but not limited to, providing a trust fund, letter of credit, or self-insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expenses, liability or loss under the General Corporation Law of the State of Delaware.

9.5. Advance Payments

The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any agent of the Corporation to the fullest extent of the provisions of this Article 9 with respect to the indemnification and advancement of expenses of directors, officers and employees of the Corporation.

ARTICLE 10. AMENDMENT OF CERTIFICATE OF INCORPORATION

Except as set forth in this Article 10 or as otherwise specifically required by law, no amendment of any provision of this Certificate of Incorporation shall be made unless such amendment has been first proposed by the Board of Directors of the Corporation upon the affirmative note of at least two-thirds of the directors then in office at a duly constituted meeting of the Board of Directors called for such purpose and thereafter approved by the stockholders of the Corporation by the affirmative vote of the holders of at least a majority of the shares entitled to vote thereon at the duly called annual or special meeting; provided, however, that if such amendment is to the provisions set forth in Articles 3, 4, 5, 6 or this Article 10, such amendment must be approved by at least two-thirds of the shares entitled to vote thereon rather than a majority.

IN WITNESS WHEREOF, The Cassidy Companies, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed and attested by its duly authorized officers, this ____ day of July, 1998.

The Cassidy Companies, Inc.

By: _____
Name: _____
Title: _____

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Exhibit 3.3

BY-LAWS
OF
[THE CASSIDY COMPANIES, INC.]
A Delaware Corporation

ARTICLE I
STOCKHOLDERS

Section 1.1. Annual Meeting.

The annual meeting of stockholders for the election of directors and the transaction of such other business as may properly come before it shall be held on the fourth Monday of January of each year, or such other date, and at such time and place, within or without the State of Delaware, as shall be determined

by the resolution of the Board of Directors. If the day fixed for the annual meeting is a legal holiday, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein for the annual meeting of the stockholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the stockholders as soon thereafter as is convenient.

Section 1.2. Special Meetings.

Special meetings of stockholders may be called by the Board of Directors or the Chairman and shall be called by the Chairman or the Secretary at the request in writing, stating the purpose or purposes thereof, of holders of at least a majority of the shares of capital stock of the Corporation issued and outstanding and entitled to vote thereat. Special meetings of stockholders may be held at such time and at such places, within or without the State of Delaware, as may be determined by resolution of the Board of Directors or as may be specified in the call of any meeting. If no designation of the place is made for the meeting, or if a special meeting be otherwise called, the place of meeting shall be the principal executive office of the Corporation in the District of Columbia.

Section 1.3. Notice of Meetings and Adjourned Meetings.

Written notice of every meeting of stockholders stating the place, date, time and purposes thereof, shall, except when otherwise required by the Certificate of Incorporation or the laws of the State of Delaware, be delivered at least ten but not more than sixty days prior to the meeting to each stockholder of record entitled to vote thereat, either personally or by mail, by or at the direction of the Chairman, the Secretary, or the officer or persons calling the meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, addressed to the stockholder at his address as it appears on the records of the Corporation. Any meeting at which a quorum of stockholders is present, in person or by proxy, may adjourn from time to time without notice, other than announcement at such meeting, until its business is completed. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

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Section 1.4. Quorum.

Except as otherwise provided by law, a majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at a meeting of stockholders. Except as otherwise provided by law where a separate vote by class is required, a majority of the outstanding shares of such class, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote. If at any meeting a quorum is not present, the chairman of such meeting shall (or may) adjourn, by the affirmative vote of a majority of the shares so represented, the meeting to another time and/or place without notice other than announcement at such meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally called, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 1.5. Voting.

Unless otherwise provided by the Certificate of Incorporation or these By-Laws, each stockholder entitled to vote at any meeting of stockholders is entitled to one vote for each share of stock held by him which has voting power upon the matter in question. If a quorum is present, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the stockholders for all matters, unless the vote of a greater number or voting by classes is required by Delaware law, the Certificate of Incorporation, or these By-Laws. Where a separate vote by class is required, the affirmative vote of the holders of a majority of the shares of each class present in person or represented by proxy at the meeting shall by the act or such class, except as otherwise provided by law or by the Certificate of Incorporation or these By-Laws.

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Section 1.6. Proxies.

At every meeting of the stockholders, each stockholder having the right to vote thereat shall be entitled to vote in person or by proxy. Such proxy shall be executed in writing and shall be filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after three years from the date of its execution, unless otherwise provided in the proxy.

Section 1.7. Fixing Date for Determination of Stockholders of Record.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business in the District of Columbia or the Secretary of the Corporation. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 1.8. Stockholder List.

The Secretary or the officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine such list or to vote in person or by proxy at any meeting of stockholders.

Section 1.9. Voting of Shares by Certain Holders.

Shares standing in the name of another corporation, domestic or foreign, and entitled to vote may be voted by such officer, agent, or proxy as the by-laws of such corporation may prescribe or, in the absence of such provision, as the board of directors of such corporation may determine.

Shares standing in the name of a deceased person, a minor, an incompetent or a corporation declared bankrupt and entitled to vote may be voted by his administrator, executor, guardian, or conservator, as the case may be, either in person or by proxy without transfer of such shares into his name.

A stockholder whose shares are pledged shall be entitled to vote such shares unless in the transfer books of the Corporation the pledgor has expressly empowered the pledgee to vote thereon, in which case only the pledgee, or his proxy, may represent such stock and vote thereon.

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Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held by this Corporation, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares for the purpose of determining whether a quorum is present. Nothing in this section shall be construed to limit the right of this Corporation to vote shares of its own stock held by it in a fiduciary capacity.

Section 1.10. Selection and Duties of Inspectors at Meetings of Stockholders.

The Board, in advance of any meeting of stockholders, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the chairman of such meeting, may appoint one or more inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the chairman of such meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspector or inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or proxies, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or proxies, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of chairman of the meeting, the inspector or inspectors shall make a report in writing of any challenge, question or matter determined by him or them and execute a certificate of any fact found by him or them. Any report or certificate made by the inspector or inspectors shall be prima facie evidence of the facts stated of the vote as certified by him or them.

Section 1.11. Order of Business.

The order of business at all meetings of stockholders shall be determined by the chairman of the meeting.

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Section 1.12. Consent of Stockholders in Lieu of Meeting.

Any action required to be taken or which may be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by persons entitled to vote stock representing not less than the number of shares necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Every written consent shall bear the date of signature of each stockholder or his representative who signs the consent. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. Such consents shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business in the District of Columbia or the Secretary of the Corporation. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. No written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by this Section 1.12 to the Corporation, written consents signed by a sufficient number of stockholders to take action are delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business in the District of Columbia or the Secretary of the Corporation. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Such consents shall be filed with the minutes of proceedings of the stockholders and actions authorized or taken under such consents shall have the same force and effect as those adopted by stockholders' vote at their meetings.

ARTICLE II DIRECTORS

Section 2.1. General Powers.

The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors.

Section 2.2. Number, Election and Term of Office of Directors.

The initial Board of Directors of the Corporation shall consist of two (2) directors and thereafter shall consist of such number (not more than thirteen

(13) and not less than two (2)) as the Board of Directors shall determine from time to time. The Board of Directors shall determine the number of directors (which may not be less than two (2)) who shall be elected annually by holders of shares of Class A Common Stock and Class C Common Stock, each par value \$0.01 per share, of the Corporation, acting together as a separate class, and the number of directors who shall be elected annually by holders of shares of Class B Common Stock and Class C Common Stock, each par value \$0.01 per share, of the Corporation, acting together as a separate class. Directors shall be elected annually by the stockholders as provided by Sections 1.1 and 1.5 of these By-Laws and by the Certificate of Incorporation. Each director elected shall hold office until his successor is elected and qualified, or until his earlier death, removal or resignation. Directors need not be residents of the State of Delaware or stockholders of the Corporation. Every reference in these By-Laws to a majority or other proportion of directors shall refer to a majority or other proportion of the votes of such directors pursuant to the Certificate of Incorporation.

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Section 2.3. Resignation or Removal.

Any director may resign by giving written notice to the Board of Directors or the Chairman. Any such resignation shall take effect at the time of receipt of notice thereof or at any later time specified therein, and, unless expressly required, acceptance of such resignation shall not be necessary to make it effective. Except as otherwise required by the laws of the State of Delaware or the Certificate of Incorporation, any director may be removed, with or without cause, by the affirmative vote or consent of the holders of a majority of the shares entitled to vote to elect such director.

Section 2.4. Vacancies.

Except as otherwise required by the Certificate of Incorporation, any vacancy occurring in the Board of Directors, including a vacancy created by an increase in the number of directors, may be filled for the remainder of the unexpired term by the affirmative vote of a majority of the directors then in office, although less than a quorum, or by the stockholders. Except as otherwise required by the Certificate of Incorporation, when one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect

when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this Section for the filling of other vacancies.

Section 2.5. Place of Meetings.

Meetings of the Board of Directors may be held at such places, within or without the State of Delaware, as the Board of Directors may from time to time determine or as may be specified in the call of any meetings.

Section 2.6. Regular Meetings.

A regular annual meeting of the Board of Directors shall be held without call or notice immediately after and at the same general place as the annual meeting of stockholders, for the purpose of organizing the Board of Directors, electing officers and transacting any other business that may properly come before the meeting. Additional regular meetings of the Board of Directors may be held without call or notice at such place and at such times as shall be fixed by resolution of the Board of Directors.

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Section 2.7. Special Meetings.

Special meetings of the Board of Directors may be called by the Chairman or any three directors then in office. Notice of special meetings shall either be mailed by the Secretary to each director at least two days before the meeting or be given personally or telegraphed or telecopied to each director by the Secretary at least twenty-four hours before the meeting. Such notice shall set forth the date, time and place of such meeting but need not, unless otherwise required by law, state the purpose of the meeting. When notice is given by mail, the mail shall be addressed to each director at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Any director may waive notice of any meeting in writing either before or after the meeting.

Section 2.8. Quorum and Voting.

A majority of the entire Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The act of

the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless otherwise provided by the laws of the State of Delaware, the Certificate of Incorporation or these By-Laws. A majority of the directors present at any meeting at which a quorum is present may adjourn the meeting to any other date, time or place without further notice other than announcement at the meeting. If at any meeting a quorum is not present, a majority of the directors present may adjourn the meeting to any other date, time or place without notice other than announcement at the meeting until a quorum is present.

Section 2.9. Telephonic Meetings.

Members of the Board of Directors or of any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or a committee thereof by means of conference telephone or other similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 2.9 shall constitute presence in person at such meeting.

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Section 2.10. Compensation.

Unless otherwise restricted by the Certificate of Incorporation, the Board of Directors shall have the authority to fix the compensation of directors. The directors shall be paid their reasonable expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors and an annual retainer or salary for services as a director. Members of any committee of the Board of Directors may be allowed like fees and expenses for service on or attendance at meetings of such committee. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 2.11. Presumption of Assent.

Unless otherwise provided by the laws of the State of Delaware, a director of the Corporation who is present at a meeting of the Board of Directors at which action is taken on any corporate matter shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the

meeting or unless he shall file his written dissent to such action with the person acting as Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 2.12. Action without Meeting.

Unless otherwise restricted by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting, if a written consent thereto is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or such committee.

Section 2.13. Presiding Officer.

The presiding officer at any meeting of the Board of Directors shall be the Chairman or, in his absence, any other director elected chairman by vote of a majority of the directors present at the meeting.

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Section 2.14. Executive Committee.

The Board of Directors may, in its discretion by resolution passed by a majority of the Board of Directors, designate an Executive Committee consisting of such number of directors as the Board of Directors shall determine. The Executive Committee shall have and may exercise all of the authority of the Board of Directors in the management of the Corporation with respect to any matter which may require action prior to, or which in the opinion of the Executive Committee may be inconvenient, inappropriate or undesirable to be postponed until, the next meeting of the Board of Directors; provided the Executive Committee shall not have the power or authority of the Board of Directors in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or an amendment to these By-Laws. Any member of the Board of Directors may request the chairman of the Executive Committee to call a meeting of the Executive Committee with respect to a specified subject.

Section 2.15. Audit Committee.

The Board of Directors may, in its discretion by resolution passed by a majority of the Board of Directors designate an Audit Committee consisting of not less than three directors. The Audit Committee, if so designated, shall review the Corporation's internal auditing program, the scope of work performed by the Corporation's certified public accountants, and other matters relating to the Corporation including the results of examinations of the Corporation by any regulatory authorities and any other matters which may from time to time be deemed appropriate by the Committee. The Audit Committee shall meet upon the call of the Chairman or any member of the Audit Committee.

Section 2.16. Compensation and Benefits Committee.

The Board of Directors may, in its discretion by resolution passed by a majority of the Board of Directors designate a Compensation and Benefits Committee consisting of not less than three directors. The Compensation and Benefits Committee, if so designated, shall study, review and make recommendations to the Board with respect to the salary policy for the Corporation, the compensation of senior officers, and the development of and amendment to incentive and benefit plans. The Compensation and Benefits Committee shall meet upon the call of the Chairman or any member of the Compensation and Benefits Committee.

Section 2.17. Other Committees.

The Board of Directors may from time to time, in its discretion, by resolution passed by a majority of the Board of Directors, designate, and appoint, other committees of one or more directors which shall have and may exercise such lawfully delegable powers and duties conferred or authorized by the resolutions of designation and appointment. The Board shall have power at any time to change the members of any such committee, to fill vacancies, and to discharge any such committee.

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Section 2.18. Alternates.

The Board of Directors may from time to time designate from among the directors alternates to serve on one or more committees as occasion may require.

Whenever a quorum cannot be secured for any meeting of any committee from among the regular members thereof and designated alternates, the member or members of such committee present at such meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of such absent or disqualified member.

Section 2.19. Committees' Quorum and Manner of Acting.

The presence of a majority of members of any committee shall constitute a quorum for the transaction of business at any meeting of such committee, and the act of a majority of those present shall be necessary for the taking of any action thereat.

Section 2.20. Committee Chairman, Books and Records, Etc.

The chairman of each committee shall be selected from among the members of the committee by the Board of Directors.

Each committee shall keep a record of its acts and proceedings, and all actions of each committee shall be reported to the Board of Directors at its next meeting.

Each committee shall fix its own rules of procedure not inconsistent with these By-Laws or the resolution of the Board of Directors designating such committee and shall meet at such times and places and upon such call or notice as shall be provided by such rules.

Section 2.21. Reliance upon Records.

Every director of the Corporation, or member of any committee designated by the Board of Directors shall be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports, or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board of Directors, or by any other person as to matters the director or member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation, as to matters the director or member reasonably believes are within such other person's professional or expert competence and as to the value and amount of the assets, liabilities and/or net profits of the Corporation, or any other facts pertinent to the existence and amount of which the Corporation's stock might properly be purchased or redeemed.

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Section 2.22. Interested Directors.

The presence of a director, who is directly or indirectly a party in a contract or transaction with the Corporation, or between the Corporation and any other corporation, partnership, association, or other organization in which such director is a director or officer, or has a financial interest, may be counted in determining whether a quorum is present and such director may participate in the meeting of the Board or committee thereof to the extent permitted by applicable law.

ARTICLE III OFFICERS

Section 3.1. Number and Designation.

The officers of the Corporation shall be a Chairman, a President, one or more Vice Presidents, a Secretary, and a Treasurer, and such Assistant Secretaries, Assistant Treasurers, or other officers as may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person unless the Certificate of Incorporation or these By-Laws provide otherwise.

Section 3.2. Election and Term of Office.

The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified or until his or her earlier death, resignation, or removal.

Section 3.3. Removal and Resignation.

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer

may resign at any time by giving written notice to the Board of Directors, to the Chairman, or to the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

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Section 3.4. Vacancies.

A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 3.5. Chairman.

The Chairman shall be the chief executive officer of the Corporation and shall in general supervise and control all of the business and affairs of the Corporation. The Chairman may sign, alone or with the Secretary or any other proper officer of the Corporation thereunto authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed, and in general he shall perform all duties incident to the offices of the Chairman and chief executive officer and such other duties as from time to time may be prescribed by the Board of Directors. When present, he shall preside at all meetings of the stockholders and of the Board of Directors.

Section 3.6. President.

The President shall be the principal operating officer of the Corporation. In the event the office of the Chairman is vacant or in the event of the inability of the Chairman to act as Chairman and chief executive officer or upon the refusal by the Chairman to perform the duties of the Chairman and chief executive officer, the President shall perform the duties and exercise the authority of the Chairman and chief executive officer and, when so acting, shall have all the powers of, and be subject to all the restrictions placed upon the Chairman and chief executive officer. He may sign, alone or with the Secretary or any other proper officer of the Corporation thereunto authorized by the Board

of Directors, any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed, and in general he shall perform all duties incident to the office of President and such other duties as from time to time may be prescribed by the Board of Directors or the Chairman, subject, however, to the control of the Board and the Chairman.

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Section 3.7. The Vice Presidents.

In the event the office of the President is vacant or in the event of the inability of the President to act as President or upon the refusal by the President to perform the duties of the President, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order determined by the Board of Directors or if there be no such determination, then in the order of their election) shall perform the duties of the President and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Board of Directors may also designate certain Vice Presidents as being in charge of designated divisions, plants, or functions of the Corporation's business and add appropriate description to their title. Any Vice President shall perform such duties as from time to time may be assigned to him by the Chairman, the President or by the Board of Directors.

Section 3.8. The Treasurer.

The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation, receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article IV of the By-Laws, disburse the funds of the Corporation as ordered by the Board of Directors or the Chairman or as otherwise required in the conduct of the business of the Corporation, and render to the Chairman or the Board of Directors, upon request, an account of all his transactions as Treasurer and on the financial condition of the Corporation. The Treasurer, unless another officer of the Corporation is named by the Board of Directors to perform such functions, shall have the duties and responsibilities and shall exercise the authority and powers of the chief financial officer of the Corporation, and

shall in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Chairman, the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond (which shall be renewed regularly), in such sum and with such surety or sureties as the Board of Directors shall determine for the faithful discharge of his duties and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

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Section 3.9. The Secretary.

The Secretary shall (a) keep the minutes of the stockholders' and of the Board of Directors' meetings and committees of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation; (d) affix the seal of the Corporation or a facsimile thereof, or cause it to be affixed and, when so affixed, attest the seal by his signature, to all certificates for shares prior to the issue thereof and to all documents the execution of which on behalf of the Corporation under its seal is duly authorized by the Board of Directors or otherwise in accordance with the provisions of these By-Laws (provided, however, the Board of Directors or the Chairman and the President may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature); (e) keep a register of the post office address of each stockholder, director or committee member, which shall be furnished to the Secretary by such stockholder, director or member; (f) have general charge of the stock transfer books of the Corporation; and (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Chairman, the President or the Board of Directors.

Section 3.10. Assistant Treasurers and Assistant Secretaries.

Assistant Treasurers and Assistant Secretaries shall perform such duties as shall be assigned to them by the Treasurer or by the Secretary, respectively, or by the Board, the Chairman or the President. The Assistant Treasurers shall, respectively, if required by the Board of Directors, give bonds (which shall be renewed regularly) for the faithful discharge of their duties in such sums and

with such sureties as the Board of Directors shall determine.

Section 3.11. Salaries.

The salaries of the officers shall be fixed from time to time by the Board of Directors or such officer as it shall designate for such purpose or as it shall otherwise direct. No officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

ARTICLE IV CONTRACTS, LOANS, CHECKS, AND DEPOSITS

Section 4.1. Contracts.

The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

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Section 4.2. Loans.

No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in the name of the Corporation unless authorized by a resolution of the Board of Directors. Such authority conferred by the Board may be general or confined to specific instances.

Section 4.3. Checks, Drafts, Etc.

All checks, drafts or other orders for payment of money issued in the name of the Corporation shall be signed by such officers, employees or agents of the Corporation as shall from time to time be designated by the Board of Directors, the Chairman, the [President], the chief financial officer or the Corporation or the Treasurer.

Section 4.4. Deposits.

All funds of the Corporation not otherwise employed shall be deposited from

time to time to the credit of the Corporation in such banks, trust companies or other depositories as shall be designated from time to time by the Board of Directors, the Chairman, the President the chief financial officer of the Corporation or the Treasurer; and such officers may designate any type of depository arrangement (including but not limited to depository arrangements resulting in net debits against the Corporation) as from time to time offered or available.

ARTICLE V CERTIFICATES OF STOCK AND THEIR TRANSFER

Section 5.1. Certificates of Stock.

Shares of stock of the Corporation shall be represented by certificates which shall be in such form as may be determined by the Board of Directors, shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the Chairman, the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. If any stock certificate is signed (a) by a transfer agent or an assistant transfer agent or (b) by a transfer clerk acting on behalf of the Corporation and a registrar, the signature of any officer of the Corporation may be facsimile. In case any such officer whose facsimile signature has thus been used on any such certificate shall cease to be such officer, whether because of death, resignation or otherwise, before such certificate has been delivered by the Corporation, such certificate may nevertheless be delivered by the Corporation, as though the person whose facsimile signature has been used thereon had not ceased to be such officer. All certificates properly surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued to evidence transferred shares until the former certificate for at least a like number of shares shall have been surrendered and canceled and the Corporation reimbursed for any applicable taxes on the transfer, except that in the case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms, and with such indemnity (if any) to the Corporation, as the Board of Directors may prescribe specifically or in general terms or by delegation to a transfer agent for the Corporation.

Section 5.2. Lost, Stolen, or Destroyed Certificates.

The Board of Directors in individual cases or by general resolution or by delegation to the transfer agent may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 5.3. Transfers of Stock.

Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment, or authority to transfer, and upon payment of applicable taxes with respect to such transfer, and in compliance with any restrictions on transfer applicable to the certificate or shares represented thereby of which the Corporation shall have notice and subject to such rules and regulations as the Board of Directors may from time to time deem advisable concerning the transfer and registration of certificates for shares of capital stock of the Corporation, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Transfers of shares shall be made only on the books of the Corporation by the registered holder thereof or by his attorney or successor duly authorized as evidenced by documents filed with the Secretary or transfer agent of the Corporation. Whenever any transfer of shares shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of transfer if, when the certificates are presented to the Corporation for transfer, both the transferor and transferee request the Corporation to do so.

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Section 5.4. Transfer and Registry Agents.

The Corporation may from time to time maintain one or more transfer offices

or agents and registry offices or agents at such place or places as may be determined from time to time by the Board.

Section 5.5. Restrictions on Transfer.

Any stockholder may enter into an agreement with other stockholders or with the Corporation providing for reasonable limitation or restriction on the right of such stockholder to transfer shares of capital stock of the Corporation held by him, including, without limiting the generality of the foregoing, agreements granting to such other stockholders or to the Corporation the right to purchase for a given period of time any of such shares on terms equal to terms offered such stockholders by any third party. Any such limitation or restriction on the transfer of shares of the Corporation shall be set forth conspicuously on certificates representing such shares or notice thereof may be otherwise given to the Corporation or the transfer agent, in which case the Corporation or the transfer agent shall not be required to transfer such shares upon the books of the Corporation without receipt of satisfactory evidence of compliance with the terms of such limitation or restriction.

Section 5.6. Stockholders of Record.

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

ARTICLE VI GENERAL PROVISIONS

Section 6.1. Fiscal Year.

The fiscal year of the Corporation shall begin on the first day of January in each year and end on the thirty-first day of December in each year.

Section 6.2. Seal.

The corporate seal shall have inscribed thereon the name of the Corporation and the words "CORPORATE SEAL" and "DELAWARE"; and it shall otherwise be in the form approved by the Board of Directors. Such seal may be used by causing it, or a facsimile thereof, to be impressed or affixed or otherwise reproduced.

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ARTICLE VII OFFICES

Section 7.1. Registered Office.

The registered office of the Corporation in the State of Delaware shall be located at 32 Loockerman Square, Suite L-100, in the City of Dover, County of Kent, and the name of its registered agent is The Prentice Hall Corporation System, Inc.

Section 7.2. Other Offices.

The Corporation may have offices at such other places both within or without the State of Delaware as shall be determined from time to time by the Board of Directors or as the business of the Corporation may require.

ARTICLE VIII INDEMNIFICATION

Section 8.1. Director Liability.

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's 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) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of the State of Delaware is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended. Any repeal or modification of this Section 8.1 by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

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Section 8.2. Right to Indemnification.

Each person who was or is made a party or is threatened to be made a party to or is or was involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or a person of whom he is the legal representative is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his heirs executors and administrators; provided, however, that except as provided in Section 8.2 of these By-Laws with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Article VIII shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however that if the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a director or officer in his capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall

ultimately be determined that such director or officer is not entitled to be indemnified under this Article VIII or otherwise.

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Section 8.3. Expenses.

If a claim under Section 8.2 of these By-Laws is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which made it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 8.4. Non-Exclusive.

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article VIII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-Laws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 8.5. Insurance.

The Corporation may purchase and maintain insurance or furnish similar protection, including, but not limited to, providing a trust fund, letter of credit, or self-insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expenses, liability or loss under the General Corporation Law of the State of Delaware.

Section 8.6. Agent.

The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any agent of the Corporation to the fullest extent of the provisions of this Article VIII with respect to the indemnification and advancement of expenses of directors, officers and employees of the Corporation.

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ARTICLE IX NOTICES

Section 9.1. Manner of Notice.

Whenever under the provisions of the laws of the State of Delaware, the Certificate of Incorporation of these By-Laws notice is required to be given to any stockholder, director or member of any committee designated by the Board of Directors, it shall not be construed to require personal delivery and such notice may be given in writing by depositing it, in a sealed envelope, in the United States mails, air mail or first class, postage prepaid, addressed (or by delivering it to a telegraph company, charges prepaid, for transmission) to such stockholder, director or member either at the address of such stockholder, director or member as it appears on the books of the Corporation or, in the case of such a director or member, at his business address; and such notice shall be deemed to be given at the time when it is thus deposited in the United States mails (or delivered to the telegraph company). Such requirement for notice shall be deemed satisfied, except in the case of stockholder meetings with respect to which written notice is mandatorily required by law, if actual notice is received orally or in writing by the person entitled thereto as far in advance

of the event with respect to which notice is given as the minimum notice periods required by law or these By-Laws.

Whenever notice is required to be given under any provision of the Certificate of Incorporation or these By-Laws to any stockholders to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve month period, have been mailed addressed to such person at his address as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given.

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Section 9.2. Waiver of Notice.

Whenever any notice is required to be given under the provisions of the laws of the State of Delaware, the Certificate of Incorporation or these By-Laws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before, at or after the time stated therein, shall be deemed equivalent thereto. Attendance by a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or committee of directors need be specified in any written waiver of notice unless so required by the laws of the State of Delaware, the Certificate of Incorporation or these By-Laws.

ARTICLE X DIVIDENDS

The Board of Directors may from time to time declare, and the Corporation may pay, dividends, in cash, in property, or in shares of the Corporation's capital stock, on its outstanding shares in the manner and upon the terms and

conditions provided by law and by the Certificate of Incorporation.

ARTICLE XI
AMENDMENTS

Except to the extent otherwise provided in the Certificate of Incorporation or these By-Laws, these By-Laws shall be subject to alteration, amendment or repeal, and new By-Laws may be adopted (i) by the affirmative vote of the holders of not less than a majority of the voting power of all outstanding shares of Class A Common Stock of the Corporation or (ii) by the affirmative vote of not less than a majority of the members of the Board of Directors at any meeting of the Board of Directors at which there is a quorum present and voting.

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Exhibit 3.4

THE CASSIDY COMPANIES, INC.
AMENDED AND RESTATED BY-LAWS

Adopted

as of

July __, 1998

(Original By-Laws adopted _____, 199_)

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AMENDED AND RESTATED BY-LAWS
OF
THE CASSIDY COMPANIES, INC.
A Delaware Corporation

ARTICLE I
STOCKHOLDERS

Section 1.1. Annual Meeting.

The annual meeting of stockholders for the election of directors and the transaction of such other business as may properly come before it shall be held on the fourth Monday of April of each year, or such other date, and at such time and place, within or without the State of Delaware, as shall be determined by the resolution of the Board of Directors. If the day fixed for the annual meeting is a legal holiday, such meeting shall be held on the next succeeding business day.

Section 1.2. Special Meetings.

Special meetings of stockholders may be called by the Board of Directors or the Chairman. Special meetings of stockholders may be held at such time and at such places, within or without the State of Delaware, as may be determined by resolution of the Board of Directors or as may be specified in the call of any meeting or by the Chairman, depending on whether the Board of Directors or the Chairman called the special meeting. If no designation of the place is made for the meeting, or if a special meeting be otherwise called, the place of meeting shall be the principal executive office of the Corporation.

Section 1.3. Notice of Meetings and Adjourned Meetings.

Written notice of every meeting of stockholders stating the place, date, time and purposes thereof, shall, except when otherwise required by the Certificate of Incorporation or the laws of the State of Delaware, be delivered at least ten but not more than sixty days prior to the meeting to each stockholder of record entitled to vote thereat, either personally or by mail, by or at the direction of the Chairman, the Secretary, or the officer or persons

calling the meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, addressed to the stockholder at his address as it appears on the records of the Corporation. Any meeting at which a quorum of stockholders is present, in person or by proxy, may adjourn from time to time without notice, other than announcement at such meeting, until its business is completed. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

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Section 1.4. Quorum.

Except as otherwise provided by law, a majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at a meeting of stockholders. Except as otherwise provided by law where a separate vote by class is required, a majority of the outstanding shares of such class, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote. If at any meeting a quorum is not present, the chairman of such meeting shall (or may) adjourn, by the affirmative vote of a majority of the shares so represented, the meeting to another time and/or place without notice other than announcement at such meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally called, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 1.5. Voting.

Unless otherwise provided by the Certificate of Incorporation or these By-Laws, each stockholder entitled to vote at any meeting of stockholders is entitled to one vote for each share of stock held by him which has voting power upon the matter in question. There shall be no cumulative voting in the election of directors. If a quorum is present, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the stockholders for all matters, unless the vote of a greater number or voting by classes is required by Delaware law, the Certificate of Incorporation, or these By-Laws. Where a separate vote by class is required, the affirmative vote of the holders of a majority of the shares of each class

present in person or represented by proxy at the meeting shall by the act or such class, except as otherwise provided by law or by the Certificate of Incorporation or these By-Laws.

Section 1.6. Proxies.

At every meeting of the stockholders, each stockholder having the right to vote thereat shall be entitled to vote in person or by proxy. Such proxy shall be executed in writing and shall be filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after three years from the date of its execution, unless otherwise provided in the proxy.

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Section 1.7. Fixing Date for Determination of Stockholders of Record.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 1.8. Stockholder List.

The Secretary or the officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine such list or to vote in person or by proxy at any meeting of stockholders.

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Section 1.9. Voting of Shares by Certain Holders.

Shares standing in the name of another corporation, domestic or foreign, and entitled to vote may be voted by such officer, agent, or proxy as the by-laws of such corporation may prescribe or, in the absence of such provision, as the board of directors of such corporation may determine.

Shares standing in the name of a deceased person, a minor, an incompetent or a corporation declared bankrupt and entitled to vote may be voted by his administrator, executor, guardian, or conservator, as the case may be, either in person or by proxy without transfer of such shares into his name.

A stockholder whose shares are pledged shall be entitled to vote such shares unless in the transfer books of the Corporation the pledgor has expressly empowered the pledgee to vote thereon, in which case only the pledgee, or his proxy, may represent such stock and vote thereon.

Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held by this Corporation, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares for the purpose of determining whether a quorum is present.

Nothing in this section shall be construed to limit the right of this Corporation to vote shares of its own stock held by it in a fiduciary capacity.

Section 1.10. Selection and Duties of Inspectors at Meetings of Stockholders.

The Board, in advance of any meeting of stockholders, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the chairman of such meeting, may appoint one or more inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the chairman of such meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspector or inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or proxies, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or proxies, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of chairman of the meeting, the inspector or inspectors shall make a report in writing of any challenge, question or matter determined by him or them and execute a certificate of any fact found by him or them. Any report or certificate made by the inspector or inspectors shall be prima facie evidence of the facts stated of the vote as certified by him or them.

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Section 1.11. Order of Business.

The order of business at all meetings of stockholders shall be determined by the chairman of the meeting.

ARTICLE II DIRECTORS

Section 2.1. General Powers.

The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors.

Section 2.2. Number, Election and Term of Office of Directors.

The Board of Directors of the Corporation shall consist of seven (7) directors. Directors shall be elected annually by the stockholders as provided by Sections 1.1 and 1.5 of these By-Laws and by the Certificate of Incorporation. Each director elected shall hold office until his or her successor is elected and qualified, or until his or her earlier death, removal or resignation. Directors need not be residents of the State of Delaware or stockholders of the Corporation. Every reference in these By-Laws to a majority or other proportion of directors shall refer to a majority or other proportion of the votes of such directors pursuant to the Certificate of Incorporation.

Section 2.3. Resignation.

Any director may resign by giving written notice to the Board of Directors or the Chairman. Any such resignation shall take effect at the time of receipt of notice thereof or at any later time specified therein, and, unless expressly required, acceptance of such resignation shall not be necessary to make it effective.

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Section 2.4. Vacancies.

Except as otherwise required by the Certificate of Incorporation, any vacancy occurring in the Board of Directors, including a vacancy created by an increase in the number of directors, may be filled for the remainder of the unexpired term by the affirmative vote of a majority of the directors then in office, although less than a quorum, or by the stockholders. Except as otherwise required by the Certificate of Incorporation, when one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this Section for the filling of other vacancies.

Section 2.5. Place of Meetings.

Meetings of the Board of Directors may be held at such places, within or without the State of Delaware, as the Board of Directors may from time to time determine or as may be specified in the call of any meetings.

Section 2.6. Regular Meetings.

A regular annual meeting of the Board of Directors shall be held without call or notice immediately after and at the same general place as the annual meeting of stockholders, for the purpose of organizing the Board of Directors, electing officers and transacting any other business that may properly come before the meeting. Additional regular meetings of the Board of Directors may be held without call or notice at such place and at such times as shall be fixed by resolution of the Board of Directors.

Section 2.7. Special Meetings.

Special meetings of the Board of Directors may be called by the Chairman or any three directors then in office. Notice of special meetings shall either be mailed by the Secretary to each director at least two days before the meeting or be given personally or telegraphed or telecopied to each director by the Secretary at least twenty-four hours before the meeting. Such notice shall set forth the date, time and place of such meeting but need not, unless otherwise required by law, state the purpose of the meeting. When notice is given by mail, the mail shall be addressed to each director at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Any director may waive notice of any meeting in writing either before or after the meeting.

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Section 2.8. Quorum and Voting.

A majority of the entire Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless otherwise provided by the laws of the State of Delaware, the Certificate of Incorporation or these By-Laws. A majority of the directors present at any meeting at which a quorum is present may adjourn the meeting to any other date, time or place without further notice

other than announcement at the meeting. If at any meeting a quorum is not present, a majority of the directors present may adjourn the meeting to any other date, time or place without notice other than announcement at the meeting until a quorum is present.

Section 2.9. Telephonic Meetings.

Members of the Board of Directors or of any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or a committee thereof by means of conference telephone or other similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 2.9 shall constitute presence in person at such meeting.

Section 2.10. Compensation.

Unless otherwise restricted by the Certificate of Incorporation, the Board of Directors shall have the authority to fix the compensation of directors. The directors shall be paid their reasonable expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors and an annual retainer or salary for services as a director. Members of any committee of the Board of Directors may be allowed like fees and expenses for service on or attendance at meetings of such committee. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 2.11. Presumption of Assent.

Unless otherwise provided by the laws of the State of Delaware, a director of the Corporation who is present at a meeting of the Board of Directors at which action is taken on any corporate matter shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 2.12. Action without Meeting.

Unless otherwise restricted by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting, if a written consent thereto is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or such committee.

Section 2.13. Presiding Officer.

The presiding officer at any meeting of the Board of Directors shall be the Chairman or, in his absence, any other director elected chairman by vote of a majority of the directors present at the meeting.

Section 2.14. Executive Committee.

The Board of Directors may, in its discretion by resolution passed by a majority of the Board of Directors, designate an Executive Committee consisting of such number of directors as the Board of Directors shall determine. The Executive Committee shall have and may exercise all of the authority of the Board of Directors in the management of the Corporation with respect to any matter which may require action prior to, or which in the opinion of the Executive Committee may be inconvenient, inappropriate or undesirable to be postponed until, the next meeting of the Board of Directors; provided the Executive Committee shall not have the power or authority of the Board of Directors in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or an amendment to these By-Laws. Any member of the Board of Directors may request the chairman of the Executive Committee to call a meeting of the Executive Committee with respect to a specified subject.

Section 2.15. Audit Committee.

The Board of Directors may, in its discretion by resolution passed by a majority of the Board of Directors designate an Audit Committee consisting of not less than three directors. The Audit Committee, if so designated, shall review the Corporation's internal auditing program, the scope of work performed by the Corporation's certified public accountants, and other matters relating to the Corporation including the results of examinations of the Corporation by any regulatory authorities and any other matters which may from time to time be deemed appropriate by the Committee. The Audit Committee shall meet upon the call of the Chairman or any member of the Audit Committee.

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Section 2.16. Compensation and Benefits Committee.

The Board of Directors may, in its discretion by resolution passed by a majority of the Board of Directors designate a Compensation and Benefits Committee consisting of not less than three directors. The Compensation and Benefits Committee, if so designated, shall study, review and make recommendations to the Board with respect to the salary policy for the Corporation, the compensation of senior officers, and the development of and amendment to incentive and benefit plans. The Compensation and Benefits Committee shall meet upon the call of the Chairman or any member of the Compensation and Benefits Committee.

Section 2.17. Other Committees.

The Board of Directors may from time to time, in its discretion, by resolution passed by a majority of the Board of Directors, designate, and appoint, other committees of one or more directors which shall have and may exercise such lawfully delegable powers and duties conferred or authorized by the resolutions of designation and appointment. The Board shall have power at any time to change the members of any such committee, to fill vacancies, and to discharge any such committee.

Section 2.18. Alternates.

The Board of Directors may from time to time designate from among the directors alternates to serve on one or more committees as occasion may require. Whenever a quorum cannot be secured for any meeting of any committee from among the regular members thereof and designated alternates, the member or members of such committee present at such meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of such absent or disqualified member.

Section 2.19. Committees' Quorum and Manner of Acting.

The presence of a majority of members of any committee shall constitute a quorum for the transaction of business at any meeting of such committee, and the act of a majority of those present shall be necessary for the taking of any

action thereat.

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Section 2.20. Committee Chairman, Books and Records, Etc.

The chairman of each committee shall be selected from among the members of the committee by the Board of Directors.

Each committee shall keep a record of its acts and proceedings, and all actions of each committee shall be reported to the Board of Directors at its next meeting.

Each committee shall fix its own rules of procedure not inconsistent with these By-Laws or the resolution of the Board of Directors designating such committee and shall meet at such times and places and upon such call or notice as shall be provided by such rules.

Section 2.21. Reliance upon Records.

Every director of the Corporation, or member of any committee designated by the Board of Directors shall be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports, or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board of Directors, or by any other person as to matters the director or member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation, as to matters the director or member reasonably believes are within such other person's professional or expert competence and as to the value and amount of the assets, liabilities and/or net profits of the Corporation, or any other facts pertinent to the existence and amount of which the Corporation's stock might properly be purchased or redeemed.

Section 2.22. Interested Directors.

The presence of a director, who is directly or indirectly a party in a contract or transaction with the Corporation, or between the Corporation and any other corporation, partnership, association, or other organization in which such director is a director or officer, or has a financial interest, may be counted in determining whether a quorum is present and such director may participate in

the meeting of the Board or committee thereof to the extent permitted by applicable law.

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ARTICLE III OFFICERS

Section 3.1. Number and Designation.

The officers of the Corporation shall be a Chairman, a President, one or more Vice Presidents, a Secretary, and a Treasurer, and such Assistant Secretaries, Assistant Treasurers, or other officers as may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person unless the Certificate of Incorporation or these By-Laws provide otherwise.

Section 3.2. Election and Term of Office.

The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified or until his or her earlier death, resignation, or removal.

Section 3.3. Removal and Resignation.

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer may resign at any time by giving written notice to the Board of Directors, to the Chairman, or to the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.4. Vacancies.

A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

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Section 3.5. Chairman.

The Chairman shall be the chief executive officer of the Corporation and shall in general supervise and control all of the business and affairs of the Corporation. The Chairman may sign, alone or with the Secretary or any other proper officer of the Corporation thereunto authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed, and in general he shall perform all duties incident to the offices of the Chairman and chief executive officer and such other duties as from time to time may be prescribed by the Board of Directors. When present, he shall preside at all meetings of the stockholders and of the Board of Directors.

Section 3.6. President.

The President shall be the principal operating officer of the Corporation. In the event the office of the Chairman is vacant or in the event of the inability of the Chairman to act as Chairman and chief executive officer or upon the refusal by the Chairman to perform the duties of the Chairman and chief executive officer, the President shall perform the duties and exercise the authority of the Chairman and chief executive officer and, when so acting, shall have all the powers of, and be subject to all the restrictions placed upon the Chairman and chief executive officer. He may sign, alone or with the Secretary or any other proper officer of the Corporation thereunto authorized by the Board of Directors, any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed, and in general he shall perform all duties incident to the office of President and such other

duties as from time to time may be prescribed by the Board of Directors or the Chairman, subject, however, to the control of the Board and the Chairman.

Section 3.7. The Vice Presidents.

In the event the office of the President is vacant or in the event of the inability of the President to act as President or upon the refusal by the President to perform the duties of the President, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order determined by the Board of Directors or if there be no such determination, then in the order of their election) shall perform the duties of the President and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Board of Directors may also designate certain Vice Presidents as being in charge of designated divisions, plants, or functions of the Corporation's business and add appropriate description to their title. Any Vice President shall perform such duties as from time to time may be assigned to him by the Chairman, the President or by the Board of Directors.

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Section 3.8. The Treasurer.

The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation, receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article IV of the By-Laws, disburse the funds of the Corporation as ordered by the Board of Directors or the Chairman or as otherwise required in the conduct of the business of the Corporation, and render to the Chairman or the Board of Directors, upon request, an account of all his transactions as Treasurer and on the financial condition of the Corporation. The Treasurer, unless another officer of the Corporation is named by the Board of Directors to perform such functions, shall have the duties and responsibilities and shall exercise the authority and powers of the chief financial officer of the Corporation, and shall in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Chairman, the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond (which shall be renewed regularly), in such sum and with such surety or sureties as the Board of Directors shall determine for the faithful discharge of his duties and for the restoration to

the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 3.9. The Secretary.

The Secretary shall (a) keep the minutes of the stockholders' and of the Board of Directors' meetings and committees of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation; (d) affix the seal of the Corporation or a facsimile thereof, or cause it to be affixed and, when so affixed, attest the seal by his signature, to all certificates for shares prior to the issue thereof and to all documents the execution of which on behalf of the Corporation under its seal is duly authorized by the Board of Directors or otherwise in accordance with the provisions of these By-Laws (provided, however, the Board of Directors or the Chairman and the President may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature); (e) keep a register of the post office address of each stockholder, director or committee member, which shall be furnished to the Secretary by such stockholder, director or member; (f) have general charge of the stock transfer books of the Corporation; and (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Chairman, the President or the Board of Directors.

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Section 3.10. Assistant Treasurers and Assistant Secretaries.

Assistant Treasurers and Assistant Secretaries shall perform such duties as shall be assigned to them by the Treasurer or by the Secretary, respectively, or by the Board, the Chairman or the President. The Assistant Treasurers shall, respectively, if required by the Board of Directors, give bonds (which shall be renewed regularly) for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine.

Section 3.11. Salaries.

The salaries of the officers shall be fixed from time to time by the Board of Directors or such officer as it shall designate for such purpose or as it

shall otherwise direct. No officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

ARTICLE IV CONTRACTS, LOANS, CHECKS, AND DEPOSITS

Section 4.1. Contracts.

The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 4.2. Loans.

No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in the name of the Corporation unless authorized by a resolution of the Board of Directors. Such authority conferred by the Board may be general or confined to specific instances.

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Section 4.3. Checks, Drafts, Etc.

All checks, drafts or other orders for payment of money issued in the name of the Corporation shall be signed by such officers, employees or agents of the Corporation as shall from time to time be designated by the Board of Directors, the Chairman, the President, the chief financial officer or the Corporation or the Treasurer.

Section 4.4. Deposits.

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as shall be designated from time to time by the Board of Directors, the Chairman, the President the chief financial officer of the Corporation or the Treasurer; and such officers may designate any type of depository arrangement (including but not limited to depository arrangements resulting in net debits against the Corporation) as from time to time offered or

available.

ARTICLE V CERTIFICATES OF STOCK AND THEIR TRANSFER

Section 5.1. Certificates of Stock.

Shares of stock of the Corporation shall be represented by certificates which shall be in such form as may be determined by the Board of Directors, shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the Chairman, the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. If any stock certificate is signed (a) by a transfer agent or an assistant transfer agent or (b) by a transfer clerk acting on behalf of the Corporation and a registrar, the signature of any officer of the Corporation may be facsimile. In case any such officer whose facsimile signature has thus been used on any such certificate shall cease to be such officer, whether because of death, resignation or otherwise, before such certificate has been delivered by the Corporation, such certificate may nevertheless be delivered by the Corporation, as though the person whose facsimile signature has been used thereon had not ceased to be such officer. All certificates properly surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued to evidence transferred shares until the former certificate for at least a like number of shares shall have been surrendered and canceled and the Corporation reimbursed for any applicable taxes on the transfer, except that in the case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms, and with such indemnity (if any) to the Corporation, as the Board of Directors may prescribe specifically or in general terms or by delegation to a transfer agent for the Corporation.

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Section 5.2. Lost, Stolen, or Destroyed Certificates.

The Board of Directors in individual cases or by general resolution or by delegation to the transfer agent may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen, or destroyed, upon the making of

an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 5.3. Transfers of Stock.

Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment, or authority to transfer, and upon payment of applicable taxes with respect to such transfer, and in compliance with any restrictions on transfer applicable to the certificate or shares represented thereby of which the Corporation shall have notice and subject to such rules and regulations as the Board of Directors may from time to time deem advisable concerning the transfer and registration of certificates for shares of capital stock of the Corporation, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Transfers of shares shall be made only on the books of the Corporation by the registered holder thereof or by his attorney or successor duly authorized as evidenced by documents filed with the Secretary or transfer agent of the Corporation. Whenever any transfer of shares shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of transfer if, when the certificates are presented to the Corporation for transfer, both the transferor and transferee request the Corporation to do so.

Section 5.4. Transfer and Registry Agents.

The Corporation may from time to time maintain one or more transfer offices or agents and registry offices or agents at such place or places as may be determined from time to time by the Board.

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Section 5.5. Restrictions on Transfer.

Any stockholder may enter into an agreement with other stockholders, with

the Corporation or with third parties providing for reasonable limitation or restriction on the right of such stockholder to transfer shares of capital stock of the Corporation held by him, including, without limiting the generality of the foregoing, agreements granting to such other stockholders or to the Corporation the right to purchase for a given period of time any of such shares on terms equal to terms offered such stockholders by any third party. Any such limitation or restriction on the transfer of shares of the Corporation shall be set forth conspicuously on certificates representing such shares or notice thereof may be otherwise given to the Corporation or the transfer agent, in which case the Corporation or the transfer agent shall not be required to transfer such shares upon the books of the Corporation without receipt of satisfactory evidence of compliance with the terms of such limitation or restriction.

Section 5.6. Stockholders of Record.

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

ARTICLE VI GENERAL PROVISIONS

Section 6.1. Fiscal Year.

The fiscal year of the Corporation shall begin on the first day of January in each year and end on the thirty-first day of December in each year.

Section 6.2. Seal.

The corporate seal shall have inscribed thereon the name of the Corporation and the words "CORPORATE SEAL" and "DELAWARE"; and it shall otherwise be in the form approved by the Board of Directors. Such seal may be used by causing it, or a facsimile thereof, to be impressed or affixed or otherwise reproduced.

ARTICLE VII OFFICES

Section 7.1. Registered Office.

The registered office of the Corporation in the State of Delaware shall be located at 32 Loockerman Square, Suite L-100, in the City of Dover, County of Kent, and the name of its registered agent is The Prentice-Hall Corporation System, Inc.

Section 7.2. Other Offices.

The Corporation may have offices at such other places both within or without the State of Delaware as shall be determined from time to time by the Board of Directors or as the business of the Corporation may require.

ARTICLE VIII NOTICES

Section 8.1. Manner of Notice.

Whenever under the provisions of the laws of the State of Delaware, the Certificate of Incorporation or these By-Laws notice is required to be given to any stockholder, director or member of any committee designated by the Board of Directors, it shall not be construed to require personal delivery and such notice may be given in writing by depositing it, in a sealed envelope, in the United States mails, air mail or first class, postage prepaid, addressed (or by delivering it to a telegraph company, charges prepaid, for transmission) to such stockholder, director or member either at the address of such stockholder, director or member as it appears on the books of the Corporation or, in the case of such a director or member, at his business address; and such notice shall be deemed to be given at the time when it is thus deposited in the United States mails (or delivered to the telegraph company). Such requirement for notice shall be deemed satisfied, except in the case of stockholder meetings with respect to which written notice is mandatorily required by law, if actual notice is received orally or in writing by the person entitled thereto as far in advance of the event with respect to which notice is given as the minimum notice periods required by law or these By-Laws.

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Whenever notice is required to be given under any provision of the Certificate of Incorporation or these By-Laws to any stockholders to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve month period, have been mailed addressed to such person at his address as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given.

Section 8.2. Waiver of Notice.

Whenever any notice is required to be given under the provisions of the laws of the State of Delaware, the Certificate of Incorporation or these By-Laws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before, at or after the time stated therein, shall be deemed equivalent thereto. Attendance by a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or committee of directors need be specified in any written waiver of notice unless so required by the laws of the State of Delaware, the Certificate of Incorporation or these By-Laws.

ARTICLE IX DIVIDENDS

The Board of Directors may from time to time declare, and the Corporation may pay, dividends, in cash, in property, or in shares of the Corporation's capital stock, on its outstanding shares in the manner and upon the terms and conditions provided by law and by the Certificate of Incorporation.

ARTICLE X AMENDMENTS

Except to the extent otherwise provided in the Certificate of Incorporation or these By-Laws, these By-Laws shall be subject to alteration, amendment or repeal, and new By-Laws may be adopted (i) by the affirmative vote of the holders of not less than a majority of the voting power of all outstanding shares of the Corporation entitled to vote thereon or (ii) by the affirmative vote of not less than a majority of the members of the Board of Directors at any meeting of the Board of Directors at which there is a quorum present and voting.

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<SEQUENCE>6
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Exhibit 10.1

LOAN AGREEMENT

This Loan Agreement ("Agreement") is made as of March 9, 1994, by and between G. Cassidy and Associates, Inc., a Delaware corporation (the "Company") and U.S. Trust Company of California, N.A., a national banking association, not in its individual or corporate capacity, but solely in its capacity as trustee (the "Trustee") of the Cassidy and Associates, Inc. Employee Stock Ownership Trust (the "Trust") (the Trust is hereinafter sometimes referred to as the "Borrower"), which implements and forms part of the Cassidy and Associates, Inc. Employee Stock Ownership Plan (the "Plan") (the Trust and the Plan are hereinafter sometimes collectively referred to as the "ESOP").

WITNESSETH:

WHEREAS, the Company has duly established the Plan and the Trust and has duly appointed the Trustee;

WHEREAS, the Company has previously entered into a Loan Agreement with the Trust dated October 2, 1989 (the "1989 Loan Agreement"), which agreement remains

in full force and is not intended to be replaced by this Agreement;

WHEREAS, pursuant to that certain Stock Purchase Agreement dated of even date herewith (the "Stock Purchase Agreement") between the Trust and the selling shareholders party thereto, the Trust has agreed to acquire from the selling shareholders, and the selling shareholders have agreed to sell to the Trust, 148,761 shares, par value \$0.01 per share, of Class C Common Stock of the Company (the "ESOP Shares") for the aggregate price of \$18,000,000;

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WHEREAS, the Trust desires to borrow from the Company, and the Company desires to lend to the Trust, \$18,000,000 (the "Loan") to be used to purchase the ESOP Shares, on the terms and conditions hereof;

WHEREAS, the parties hereto intend that the Loan constitute an "exempt loan" within the meaning of Section 4975(d)(3) of the Code, Treasury Regulation Section 54.4975-7(b), Section 408(b)(3) of ERISA, and Department of Labor Regulation Section 2550.408b-3 (collectively, the "Exempt Loan Rules") and a "Stock Purchase Loan" within the meaning of Article 1 of the Trust and of Section 5.2 of the Plan;

WHEREAS, in contemplation of this Agreement and contemporaneously with the execution hereof, the Company has entered that certain Note Agreement dated of even date ("Note Agreement") herewith with the purchasers party thereto;

WHEREAS, pursuant to the Note Agreement, the Company may sell \$18,000,000 of its 7.95% Senior ESOP Notes (the "Notes").

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NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I DEFINITIONS AND INTERPRETATION

The following terms, as used herein, have the following meanings:

1.1 "Closing Date" means the date of the closing of the sale and purchase of the ESOP Shares.

1.2 "Code" means the Internal Revenue Code of 1986, as amended.

1.3 "Collateral" means collateral subject to pledge pursuant to the Pledge Agreement.

1.4 "Class C Common Stock" means the common shares, par value \$0.01 per share, of Class C Common Stock of the Company.

1.5 "Contributions" means amounts contributed by the Company to the ESOP.

1.6 "Default" has the meaning specified in Section 5.1.

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1.7 "Default Amount" has the meaning specified in Section 5.2.

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

1.9 "Make-Whole Premium" has the meaning specified in Section 2.6.

1.10 "Note" means the Note of the Borrower payable to the Company in the form attached hereto as Exhibit A.

1.11 "Pledge Agreement" means the Pledge Agreement dated the Closing Date between the Borrower and the Company in the form attached hereto as Exhibit B.

1.12 "Reinvestment Rate" has the meaning specified in Section 2.6.

1.13 "Required Status" has the meaning specified in Section 1.18.

1.14 "Statistical Release" has the meaning specified in Section 2.6.

1.15 "Trust Agreement" means the Cassidy and Associates, Inc. Employee Stock Ownership Trust Agreement between the Company and the Trustee.

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1.16 "Weighted Average Life to Maturity" has the meaning specified in Section 2.6.

1.17 The terms "Borrower," "Company," "Exempt Loan Rules," "ESOP," "ESOP Shares," "Loan," "Note Agreement," "Plan," "Stock Purchase Agreement," "Trust" and "Trustee" have the meanings set forth in the preamble of this Agreement.

1.18 General Interpretation. This Agreement and the Pledge Agreement shall be construed and interpreted so as to maintain the status of the Plan as a qualified leveraged employee stock ownership plan under Sections 401(a) and 4975(e)(7) of the Code, the Trust as exempt from taxation under Section 501(a) of the Code, the Loan as an "exempt loan" under the Exempt Loan Rules and the Loan as a "Stock Purchase Loan" under the Trust and the Plan (collectively, the "Required Status").

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ARTICLE II LOAN

2.1 Commitment to Lend; Loan Maturity. The Company agrees, on the terms and conditions set forth in this Agreement, to make a Loan of \$18,000,000 to the Borrower on the Closing Date. The Loan shall mature on October 1, 2001.

2.2 Use of Proceeds. The Borrower shall use the proceeds of the Loan to purchase the ESOP Shares pursuant to the Stock Purchase Agreement

2.3 Note. The Loan shall be evidenced by the Note payable to the Company.

2.4 Interest. The Loan shall bear interest at the rate of 7.95% per annum, payable semiannually on the first day of each April and October in each year (commencing April 1, 1994) and at maturity and on overdue principal (including any overdue required repayment of principal) and premium, if any, and (to the extent legally enforceable) on any overdue installment of interest at the rate

of 7.95% per annum after maturity until paid, to be expressed to mature on October 1, 2001. Interest on the Note shall be computed on basis of a 360-day year of twelve 30-day months. The Note is not subject to prepayment or redemption at the option of the Borrower prior to its maturity date except on the terms and conditions and in the amounts and with the premium, if any, set forth in Section 2.6 of this Agreement.

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2.5 Repayment of Principal. The Borrower agrees that on the first day of each April and October in each year commencing April 1, 1994 and ending October 1, 2001 (the "Fixed Payment Dates") it will repay and apply, and there shall become due and payable on the principal amount of the Loan, the applicable amounts set forth opposite the Fixed Payment Dates as follows:

Fixed Payment Dates	Applicable Amounts
-----	-----
April 1, 1994	\$ 550,000
October 1, 1994	\$ 550,000
April 1, 1995	\$ 356,205
October 1, 1995	\$ 67,147
April 1, 1996	\$ 282,546
October 1, 1996	\$ 221,331
April 1, 1997	\$ 293,655
October 1, 1997	\$1,690,046
April 1, 1998	\$1,753,175
October 1, 1998	\$1,811,691
April 1, 1999	\$1,797,343
October 1, 1999	\$1,785,208
April 1, 2000	\$1,850,368
October 1, 2000	\$1,917,907
April 1, 2001	\$1,987,910

leaving \$1,085,469 becoming due at maturity on October 1, 2001. No premium shall be payable in connection with any required repayment made pursuant to this Section 2.5. For the purposes of this Section 2.5, any prepayment of less than all of the outstanding loan shall be deemed to be applied first to the amount of principal scheduled to remain unpaid on October 1, 2001, and then to the remaining scheduled principal payments in reverse chronological order.

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2.6 Prepayment. The Borrower may at its option prepay the Loan, or portion thereof (and shall be required to make a prepayment in the amount of any prepayment made by the Company pursuant to Section 2.2 of the Note Agreement) by payment of a principal amount of the Loan, together with accrued interest thereon to the date of such prepayment and a premium (except that no premium shall be paid on any prepayment by the Borrower which is required as a result of a prepayment by the Company pursuant to Section 2.2 of the Note Agreement) equal to the Make-Whole Premium (determined as of five (5) business days prior to the date of such prepayment); provided, that no such prepayment shall be permitted if as a result thereof the Company would incur an excise tax under Chapter 43 of Subtitle D of the Code or if such prepayment would adversely affect the Required Status. Any prepayment made at the option of the Borrower pursuant to this Section 2.6 shall be applied by the Company as an optional prepayment under Section 2.3 of the Note Agreement.

For purposes of this Section 2.6:

"Make-Whole Premium" means, in connection with any prepayment, the excess, if any, of (i) the aggregate present value as of the date of such prepayment of each dollar of principal being prepaid (taking into account the application of such repayment required by Section 2.5) and the amount of interest (exclusive of interest accrued to the date of prepayment) that would have been payable in respect of such dollar if such prepayment had not been made, determined by discounting such amounts at the Reinvestment Rate from the respective dates on which they would have been payable, over (ii) 100% of the principal amount of the Loan being prepaid. If the Reinvestment Rate is equal to or higher than 7.95%, the Make-Whole Premium shall be zero.

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"Reinvestment Rate" means .25% plus the arithmetic mean of the yields under the respective headings "This Week" and "Last Week" published in the Statistical Release under the caption "Treasury Constant Maturities" for the maturity (rounded to the nearest month) corresponding to the Weighted Average Life to Maturity of the principal being prepaid (taking into account the application of

such repayment required by Section 2.5). If no maturity exactly corresponds to such Weighted Average Life to Maturity, yields for the two published maturities most closely corresponding to such Weighted Average Life to Maturity shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the premium hereunder shall be used.

"Statistical Release" means the statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the Company.

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"Weighted Average Life to Maturity" of the principal amount of the Loan being prepaid means, as of the time of any determination thereof, the number of years obtained by dividing the then Remaining Dollar-Years of such principal by the aggregate amount of such principal. The term "Remaining Dollar-Years" of such principal shall mean the amount obtained by (i) multiplying (1) the remainder of (A) the amount of principal that would have become due on each scheduled payment date if such prepayment had not been made, less (B) the amount of principal on the Loan scheduled to become due on such date (after giving effect to such repayment and the application thereof in accordance with the provisions of Section 2.5), by (2) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination and such scheduled payment date, and (ii) totaling the products obtained in (i).

2.7 Pledge. The obligations of the Borrower are secured by the Collateral pledged pursuant to the Pledge Agreement.

ARTICLE III REPRESENTATIONS OF THE BORROWER

The Borrower represents and warrants as follows:

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3.1 ESOP Existence. The Plan is in material compliance with all ERISA provisions. The Trust is a duly organized, validly existing employee stock ownership trust. The Trust and Plan constitute a valid employee stock ownership plan for the purposes of ERISA and Section 4975(e)(7) of the Code.

3.2 ESOP Authority. The Trust has full power and authority and is duly authorized to conduct the activities in which it is now engaged, to own the properties owned by it and to consummate the transactions contemplated in or in connection with this Agreement.

3.3 No Prohibited Transactions. The consummation of the transactions contemplated in or in connection with this Agreement will not involve any non-exempt prohibited transaction within the meaning of ERISA or Section 4975 of the Code.

3.4 Use of Proceeds. The proceeds of the Loan will be used by the Trust solely to acquire "employer securities" for the Trust within the meaning of Section 409(1) of the Code.

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ARTICLE IV CLOSING CONDITIONS

The obligation of the Company to make the Loan on the Closing Date shall be subject to the fulfillment on or prior to the Closing Date of the following conditions precedent:

4.1 Note Agreement; Purchase and Sale of ESOP Stock; Pledge Agreement. On or prior to the Closing Date (i) the Company shall have executed and delivered the Note Agreement and received proceeds in the amount of \$18,000,000; (ii) the Trustee and certain selling shareholders shall have executed and delivered the Stock Purchase Agreement; (iii) all conditions precedent to the purchase and

sale of the ESOP Shares shall have been satisfied and the ESOP Shares shall have been purchased by the Trust in accordance with the terms of the Stock Purchase Agreement; and (iv) the Trustee shall have executed and delivered the Pledge Agreement.

4.2 Plan and Trust Agreement. The Company shall have been furnished with a true and correct copy of the Plan and the Trust Agreement and there shall have been no amendments to the Plan or the Trust Agreement which might adversely affect the rights of the Company hereunder.

4.3 Satisfactory Proceedings. All proceedings taken in connection with the transactions contemplated by this Agreement, and all documents necessary to the consummation thereof, shall be satisfactory in form and substance to the Company and its counsel, and the Company shall have received (executed or certified as may be appropriate) all legal documents or proceedings taken in connection with the consummation of said transactions.

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ARTICLE V DEFAULTS AND REMEDIES THEREFOR

5.1 Defaults. Any one or more of the following shall constitute a "Default" hereunder:

(a) Default shall occur in the payment of interest on the Loan when the same shall have become due; or

(b) Default shall occur in the making of any required repayment on the Loan as provided in Section 2.5.

5.2 Remedies. When a Default has occurred and is continuing, the Company may (i) declare the Default Amount due and payable, without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived; (ii) may exercise its remedies under the Pledge Agreement to the extent of the Defaulted Amount; and (iii) may avail itself of all remedies available at law in respect of the Default Amount. For purposes hereof the term "Default Amount" shall mean as of any date the amount of principal and interest, if any, which is due and payable under Sections 2.4 or 2.5 of the Agreement and which is unpaid on such date.

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ARTICLE VI
MISCELLANEOUS

6.1 Limited Recourse. Notwithstanding any provision of this Agreement or the Note to the contrary, the obligations of the Borrower under this Agreement are payable only from, and the Company shall have no recourse against assets of the Borrower other than (i) Contributions (other than contributions of "employer securities" within the meaning of Section 409(1) of the Code) made by the Company to the Borrower to enable the Borrower to meet its obligations pursuant to this Agreement, (ii) the Collateral and (iii) dividends, distributions or other earnings attributable to the Collateral and to the investment of the Contributions.

6.2 No Recourse Against Trustee. Neither the Trustee nor any successor trustee shall have personal liability for the obligations of the Borrower to the Company hereunder.

6.3 Notices. All notices hereunder shall be in writing, delivered or mailed by registered or certified mail or by overnight air courier, to the following addresses:

If to the Company:

Cassidy and Associates, Inc.
700 13th Street, N.W.
Washington, D.C. 20005
Attention: Gerald S. J. Cassidy

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With a copy to:

Sidley & Austin

1722 Eye Street, N.W.
Washington, D.C. 20006
Attention: Lester G. Fant, III

If to the Borrower:

U.S. Trust Company of California, N.A.
as Trustee for the Cassidy and Associates, Inc. Employee Stock
Ownership Trust
c/o UST Fiduciary Services, Ltd.
1300 Eye Street, N.W.
Suite 1080 East
Washington, D.C. 20005
Attention: Norman P. Goldberg

With a copy to:

Keck, Mahin & Cate
1201 New York Avenue, N.W.
Washington, D.C. 20005
Attention: Luis Granados

6.4 Successors and Assigns. This Agreement shall be binding upon the parties hereto and their successors and assigns.

6.5 Severability. Should any part of this Agreement for any reason be declared invalid, such decision shall not affect the validity of any remaining portion, which remaining portion shall remain in force and effect as if this Agreement had been executed with the invalid portion thereof eliminated and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any such part, parts, or portion which may, for any reason, be hereafter declared invalid; provided, that the provisions of this section shall not operate in a manner which would result in a failure to maintain the Required Status.

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6.6 Amendments. This Agreement may be amended in writing by the parties; provided, that no amendment shall be executed which would adversely affect the Required Status. The parties agree to negotiate in good faith any amendment (which amendment may have retroactive effect) necessary to be executed to

maintain Required Status.

6.7 Governing Law. This Agreement and the Note executed hereunder shall be governed by and construed in accordance with the laws of the State of New York (without regard to the principles of conflict of laws thereof) to the extent not preempted by federal law.

6.8 Captions. The descriptive headings of the various Sections or parts of this Agreement are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

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IN WITNESS WHEREOF, the undersigned have duly executed this Agreement on the date and year first above written.

G. CASSIDY AND ASSOCIATES, INC.

By: [illegible signature]

Its: President

U.S. TRUST COMPANY OF CALIFORNIA,
N.A., not in its individual or corporate
capacity but solely as Trustee of the Cassidy
and Associates, Inc. Employee Stock
Ownership Trust

By: /s/ Norman P. Goldberg

Its: Senior Vice President

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Exhibit 10.3

THE CASSIDY COMPANIES, INC.

1998 STOCK OPTION AND INCENTIVE PLAN

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THE CASSIDY COMPANIES, INC.

1998 STOCK OPTION AND INCENTIVE PLAN

The Cassidy Companies, Inc., a Delaware corporation (the "Company"), sets forth herein the terms of its 1998 Stock Option and Incentive Plan (the "Plan") as follows:

1. PURPOSE

The Plan is intended to enhance the Company's ability to attract and retain highly qualified officers, key employees, outside directors and other persons, and to motivate such officers, key employees, outside directors and other persons to serve the Company and its affiliates (as defined herein) and to expend maximum effort to improve the business results and earnings of the Company, by providing to such officers, key employees, outside directors and other persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the Plan provides for the grant of stock options, restricted stock, restricted stock units and stock appreciation rights in accordance with the terms hereof. Stock options granted under the Plan may be non-qualified stock options or incentive stock options, as provided herein, except that stock options granted to outside directors shall in all cases be non-qualified stock options.

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

2.1 "affiliate" of, or person "affiliated" with, a person means any company or other trade or business that controls, is controlled by or is under common control with such person within the meaning of Rule 405 of Regulation C under the Securities Act.

2.2 "Award Agreement" means the stock option agreement, restricted stock agreement, restricted stock unit agreement, stock appreciation right agreement or other written agreement between the Company and a Grantee that evidences and sets out the terms and conditions of a Grant.

2.3 "Benefit Arrangement" shall have the meaning set forth in Section 14 hereof.

2.4 "Board" means the Board of Directors of the Company.

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2.5 "Change of Control" means (i) the dissolution or liquidation of the Company or a merger, consolidation, or reorganization of the Company with one or more other entities in which the Company is not the surviving entity, (ii) a

sale of substantially all of the assets of the Company to another entity, or (iii) any transaction (including without limitation a merger or reorganization in which the Company is the surviving entity) which results in any person or entity (other than persons who are stockholders or affiliates of the Company at the time the Plan is approved by the Company's stockholders) owning 50% or more of the combined voting power of all classes of stock of the Company.

2.6 "Code" means the Internal Revenue Code of 1986, as now in effect or as hereafter amended.

2.7 "Committee" means a committee of, and designated from time to time by resolution of, the Board, which shall consist of no fewer than two members of the Board, none of whom shall be an officer or other salaried employee of the Company or any affiliate of the Company.

2.8 "Company" means The Cassidy Companies, Inc.

2.9 "Effective Date" means the date designated by the Board in its resolution adopting the Plan.

2.10 "Exchange Act" means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.11 "Fair Market Value" means the value of a share of Stock, determined as follows: if on the Grant Date or other determination date the Stock is listed on an established national or regional stock exchange, is admitted to quotation on the NASDAQ National Market, or is publicly traded on an established securities market, the Fair Market Value of a share of Stock shall be the closing price of the Stock on such exchange or in such market (the highest such closing price if there is more than one such exchange or market) on the Grant Date or such other determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day) or, if no sale of Stock is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Stock is not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be the value of the Stock as determined by the Board in good faith.

2.12 "Grant" means an award of an Option, Restricted Stock, Restricted Stock Unit or Stock Appreciation Right under the Plan.

2.13 "Grant Date" means, as determined by the Board or authorized Committee, (i) the date as of which the Board or such Committee approves a Grant, (ii) the date on which the recipient of a Grantee first becomes eligible to receive a Grant under Section 6 hereof, or (iii) such other date as may be specified by the Board or such Committee.

2.14 "Grantee" means a person who receives or holds an Option, Restricted Stock, Restricted Stock Unit or Stock Appreciation Right under the Plan.

2.15 "Immediate Family Members" means the spouse, children and grandchildren of the Grantee.

2.16 "Incentive Stock Option" means an "incentive stock option" within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time.

2.17 "Option" means an option to purchase one or more shares of Stock pursuant to the Plan.

2.18 "Option Period" means the period during which Options may be exercised as set forth in Section 10 hereof.

2.19 "Option Price" means the purchase price for each share of Stock subject to an Option.

2.20 "Other Agreement" shall have the meaning set forth in Section 14 hereof.

2.21 "Outside Director" means a member of the Board who is not an officer or employee of the Company.

2.22 "Plan" means this The Cassidy Companies, Inc. 1998 Stock Option and Incentive Plan.

2.23 "Reporting Person" means a person who is required to file reports under Section 16(a) of the Exchange Act.

2.24 "Restricted Period" means the period during which Restricted Stock or Restricted Stock Units are subject to restrictions or conditions pursuant to Section 12.2 hereof.

2.25 "Restricted Stock" means shares of Stock, awarded to a Grantee pursuant to Section 12 hereof, that are subject to restrictions and to a risk of forfeiture.

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2.26 "Restricted Stock Unit" means a unit awarded to a Grantee pursuant to Section 12 hereof, which represents a conditional right to receive a share of Stock in the future, and which is subject to restrictions and to a risk of forfeiture.

2.27 "Securities Act" means the Securities Act of 1933, as now in effect or as hereafter amended.

2.28 "Service Provider" means a consultant or adviser to the Company, a manager of the Company's properties or affairs, or other similar service provider or affiliate of the Company, and employees of any of the foregoing, as such persons may be designated from time to time by the Board pursuant to Section 6 hereof.

2.29 "Stock" means the common stock, par value \$0.01 per share, of the Company, authorized by the certificate of incorporation of the Company as amended effective _____, 1998.

2.30 "Stock Appreciation Right" or "SAR" means a right granted to a Grantee pursuant to the provisions of Section 13 hereof.

2.31 "Subsidiary" means any "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code.

2.32 "Termination Date" shall be the date upon which an Option shall terminate or expire, as set forth in Section 10.2 hereof.

3. ADMINISTRATION OF THE PLAN

3.1. Board.

The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Company's certificate of incorporation and by-laws and applicable law. The Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Grant or any Award Agreement, and shall have full power and authority to take all such other actions and make all such other

determinations not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan, any Grant or any Award Agreement. All such actions and determinations shall be by the affirmative vote of a majority of the members of the Board present at a meeting or by unanimous consent of the Board executed in writing in accordance with the Company's certificate of incorporation and by-laws and applicable law. The interpretation and construction by the Board of any provision of the Plan, any Grant or any Award Agreement shall be final and conclusive. As permitted by law, the Board may delegate its authority under the Plan to a member of the Board of Directors or an executive officer of the Company.

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3.2. Committee.

The Board from time to time may delegate to a Committee such powers and authorities related to the administration and implementation of the Plan, as set forth in Section 3.1 above and in other applicable provisions, as the Board shall determine, consistent with the certificate of incorporation and by-laws of the Company and applicable law. In the event that the Plan, any Grant or any Award Agreement entered into hereunder provides for any action to be taken by or determination to be made by the Board, such action may be taken by or such determination may be made by the Committee if the power and authority to do so has been delegated to the Committee by the Board as provided for in this Section. Unless otherwise expressly determined by the Board, any such action or determination by the Committee shall be final, binding and conclusive. As permitted by law, the Committee may delegate the authority delegated to it under the Plan to a member of the Board of Directors or an executive officer of the Company.

3.3. Grants.

Subject to the other terms and conditions of the Plan, the Board shall have full and final authority (i) to designate Grantees, (ii) to determine the type or types of Grant to be made to a Grantee, (iii) to determine the number of shares of Stock to be subject to a Grant, (iv) to establish the terms and conditions of each Grant (including, but not limited to, the exercise price of any Option, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer, or forfeiture of a Grant or the shares of Stock subject thereto, and any terms or

conditions that may be necessary to qualify Options as Incentive Stock Options), (v) to prescribe the form of each Award Agreement evidencing a Grant, (vi) to make Grants alone, in addition to, in tandem with, or in substitution or exchange for any other Grant or any other award granted under another plan of the Company or a Subsidiary, and (vii) to amend, modify, or supplement the terms of any outstanding Grant. Such authority specifically includes the authority, in order to effectuate the purposes of the Plan but without amending the Plan, to modify Grants to eligible individuals who are foreign nationals or are individuals who are employed outside the United States to recognize differences in local law, tax policy, or custom. The terms and conditions imposed by the Board with respect to the vesting, exercise or forfeiture of a Grant may, without limitation, include performance-based conditions relating to the trading price of shares of Stock, market share, sales, revenue growth, cost reduction, earnings per share and return on equity. As a condition to any subsequent Grant, the Board shall have the right, at its discretion, to require Grantees to return to the Company Grants previously awarded under the Plan. Subject to the terms and conditions of the Plan, any such new Grant shall be upon such terms and conditions as are specified by the Board at the time the new Grant is made.

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3.4. Grants to Outside Directors.

Each Outside Director shall be awarded automatically, upon his or her initial election to the Board, a one-time grant of an Option, which shall not be an Incentive Stock Option, to purchase, at an exercise price per share equal to the Fair Market Value of the Stock on the date of Grant (but in no event less than the par value of such Stock), that number of shares of Stock equal to \$100,000 divided by the Fair Market Value of the Stock on the date of Grant, rounded down to the nearest whole number. Said Option shall be exercisable for a period commencing upon the date of grant and terminating on the tenth anniversary of such date.

3.5. No Liability.

No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Grant or Award Agreement.

3.6. Applicability of Rule 16b-3.

Those provisions of the Plan that make express reference to Rule 16b-3 under the Exchange Act shall apply only to Reporting Persons.

4. STOCK SUBJECT TO THE PLAN

4.1. Aggregate Limitation.

Subject to adjustment as provided in Section 17 hereof, the aggregate number of shares of Stock available for issuance under the Plan pursuant to Incentive Stock Options or other Grants shall be one million nine hundred thousand (1,900,000). Stock issued or to be issued under the Plan shall be authorized but unissued shares. If any shares covered by a Grant are not purchased or are forfeited, or if a Grant otherwise terminates without delivery of any Stock subject thereto, then the number of shares of Stock counted against the aggregate number of shares available under the Plan with respect to such Grant shall, to the extent of any such forfeiture or termination, again be available for making Grants under the Plan.

4.2. Application of Aggregate Limitation.

The limitation contained in Section 4.1 shall apply not only to Grants that are settleable by the delivery of shares of Stock but also to Grants relating to shares of Stock but settleable only in cash (such as cash-only SARs). The Board may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with a Grant.

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4.3. Per-Grantee Limitation.

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act:

- (i) no person eligible for a Grant under Section 6 hereof may be awarded Options in any calendar year exercisable for greater than four hundred thousand (400,000) shares of Stock (subject to adjustment as provided in Section 17 hereof);

- (ii) the maximum number of shares of Restricted Stock that can be awarded under the Plan (including for this purpose any shares of Stock represented by Restricted Stock Units) to any person eligible for a Grant under Section 12 hereof is four hundred thousand (400,000) per calendar year (subject to adjustment as provided in Section 17 hereof); and
- (iii) the maximum number of shares of Stock that can be the subject of SARs awarded to any Grantee under Section 13 hereof is four hundred thousand (400,000) per calendar year (subject to adjustment as provided in Section 17 hereof).

5. EFFECTIVE DATE AND TERM OF THE PLAN

5.1. Effective Date.

The Plan shall be effective as of the Effective Date, subject to approval of the Plan, within one year before or after the date upon which the Plan was adopted by the Board, by a majority of the votes cast on the proposal at a meeting of stockholders, provided that the total votes cast represent a majority of all shares entitled to vote or by the written consent of the holders of a majority of the Company's shares entitled to vote. Upon approval of the Plan by the stockholders of the Company as set forth above, all Grants made under the Plan on or after the Effective Date shall be fully effective as if the stockholders of the Company had approved the Plan on the Effective Date. If the stockholders fail to approve the Plan within the time period set forth above, any Grants made hereunder shall be null and void and of no effect.

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5.2. Term.

The Plan has no termination date; however, no Incentive Stock Option may be granted under the Plan on or after July 1, 2008.

6. PERMISSIBLE GRANTEES

6.1. Employees and Service Providers.

Subject to the provisions of Section 7, Grants may be made under the Plan to any employee of, or Service Provider or employee of a Service Provider providing, or who has provided, services to, the Company or any Subsidiary, including any such employee who is an officer or director of the Company or of any Subsidiary, as the Board shall determine and designate from time to time.

6.2. Successive Grants.

An eligible person may receive more than one Grant, subject to such restrictions as are provided herein.

7. LIMITATIONS ON GRANTS OF INCENTIVE STOCK OPTIONS

An Option shall constitute an Incentive Stock Option only (i) if the Grantee of such Option is an employee of the Company or any Subsidiary of the Company; (ii) to the extent specifically provided in the related Award Agreement; and (iii) to the extent that the aggregate Fair Market Value (determined at the time the Option is granted) of the shares of Stock with respect to which all Incentive Stock Options held by such Grantee become exercisable for the first time during any calendar year (under the Plan and all other plans of the Grantee's employer and its affiliates) does not exceed \$100,000. This limitation shall be applied by taking Options into account in the order in which they were granted.

8. AWARD AGREEMENT

Each Grant pursuant to the Plan shall be evidenced by an Award Agreement, in such form or forms as the Board shall from time to time determine. Award Agreements granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan. Each Award Agreement evidencing a Grant of Options shall specify whether such Options are intended to be non-qualified stock options or Incentive Stock Options, and in the absence of such specification such options shall be deemed non-qualified stock options.

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9. OPTION PRICE

The Option Price of each Option shall be fixed by the Board and stated in the Award Agreement evidencing such Option. The Option Price of an Incentive Stock Option shall be the Fair Market Value on the Grant Date of a share of Stock; provided, however, that in the event that a Grantee would otherwise be ineligible to receive an Incentive Stock Option by reason of the provisions of Sections 422(b)(6) and 424(d) of the Code (relating to ownership of more than ten percent of the Company's outstanding Stock), the Option Price of an Option granted to such Grantee that is intended to be an Incentive Stock Option shall be not less than 110 percent of the Fair Market Value of a share of Stock on the Grant Date. In no case shall the Option Price of any Option be less than the par value of a share of Stock.

10. VESTING, TERM AND EXERCISE OF OPTIONS

10.1. Vesting and Option Period.

Subject to Sections 10.2 and 17.3 hereof, each Option granted under the Plan shall become exercisable at such times and under such conditions as shall be determined by the Board and stated in the Award Agreement. For purposes of this Section 10.1, fractional numbers of shares of Stock subject to an Option shall be rounded down to the next nearest whole number. The period during which any Option shall be exercisable shall constitute the "Option Period" with respect to such Option.

10.2. Term.

Each Option granted under the Plan shall terminate, and all rights to purchase shares of Stock thereunder shall cease, upon the expiration of ten years from the date such Option is granted, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Board and stated in the Award Agreement relating to such Option (the "Termination Date"); provided, however, that in the event that the Grantee would otherwise be ineligible to receive an Incentive Stock Option by reason of the provisions of Sections 422(b)(6) and 424(d) of the Code (relating to ownership of more than ten percent of the outstanding Stock), an Option granted to such Grantee that is intended to be an Incentive Stock Option shall not be exercisable after the expiration of five years from its Grant Date.

10.3. Acceleration.

Any limitation on the exercise of an Option contained in any Award Agreement may be rescinded, modified or waived by the Board, in its sole discretion, at any time and from time to time after the Grant Date of such Option, so as to accelerate the time at which the Option may be exercised. Notwithstanding any other provision of the Plan, no Option shall be exercisable in whole or in part prior to the date the Plan is approved by the stockholders of the Company as provided in Section 5.1 hereof.

10.4. Termination of Employment or Other Relationship for a Reason Other than Death or Disability.

10.4.1. Incentive Stock Options.

Upon the termination of a Grantee's employment with the Company and its Subsidiaries other than by reason of death or "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code), any Incentive Stock Option or portion thereof held by such Grantee that has not vested in accordance with the provisions of Section 10.1 hereof shall terminate immediately, and any Incentive Stock Option or portion thereof that has vested in accordance with the provisions of Section 10.1 hereof but has not been exercised shall terminate at the close of business on the 90th day following the Grantee's termination of employment (or, if such 90th day is a Saturday, Sunday or holiday, at the close of business on the next preceding day that is not a Saturday, Sunday or holiday). Upon termination of an Incentive Stock Option or portion thereof, the Grantee shall have no further right to purchase shares of Stock pursuant to such Incentive Stock Option or portion thereof. Whether a leave of absence or leave on military or government service shall constitute a termination of employment or other relationship for purposes of the Plan shall be determined by the Board, which determination shall be final and conclusive. For purposes of the Plan, a termination of employment shall not be deemed to occur if the Grantee is immediately thereafter employed with the Company or any Subsidiary.

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10.4.2. Options Other than Incentive Stock Options.

This Section 10.4.2 shall apply with respect to Options other than Incentive Stock Options. Upon the termination of a Grantee's employment or other

relationship with the Company and its Subsidiaries other than by reason of death or "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code), any Option or portion thereof held by such Grantee that has not vested in accordance with the provisions of Section 10.1 hereof shall terminate immediately, and any Option or portion thereof that has vested in accordance with the provisions of Section 10.1 hereof but has not been exercised shall terminate at the close of business on the 90th day following the Grantee's termination of employment or other relationship (or, if such 90th day is a Saturday, Sunday or holiday, at the close of business on the next preceding day that is not a Saturday, Sunday or holiday), unless the Board, in its discretion, extends the period during which the Option may be exercised (which period may not be extended beyond the original term of the Option). Upon termination of an Option or portion thereof, the Grantee shall have no further right to purchase shares of Stock pursuant to such Option or portion thereof. Whether a leave of absence or leave on military or government service shall constitute a termination of employment or other relationship for purposes of the Plan shall be determined by the Board, which determination shall be final and conclusive. For purposes of the Plan, a termination of employment, service or other relationship shall not be deemed to occur if the Grantee is immediately thereafter employed with the Company, a Subsidiary or a Service Provider, or is engaged as a Service Provider or an Outside Director of the Company or a Subsidiary. Whether a termination of a Grantee's employment or other relationship with the Company and its Subsidiaries shall have occurred shall be determined by the Board, which determination shall be final and conclusive.

10.5. Rights in the Event of Death.

If a Grantee dies while employed by or providing services to the Company, all Options granted to such Grantee that have not previously terminated shall fully vest on the date of death, and the executors or administrators or legatees or distributees of such Grantee's estate shall have the right, at any time within one year after the date of such Grantee's death (or such longer period as the Board, in its discretion, may determine prior to the expiration of such one-year period) and prior to termination of the Option pursuant to Section 10.2 above, to exercise any Option held by such Grantee at the date of such Grantee's death.

10.6. Rights in the Event of Disability.

If a Grantee's employment or other relationship with the Company is terminated by reason of the "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) of such Grantee, such Grantee's Options that have not previously terminated shall continue to vest, and shall be exercisable to the extent that they are vested, for a period of one year after such termination of employment or service (or, in the case of an Option that is not an Incentive Stock Option, such longer period as the Board, in its discretion,

may determine prior to the expiration of such one-year period), subject to earlier termination of the Option as provided in Section 10.2 above. Whether a termination of employment or service is to be considered by reason of "permanent and total disability" for purposes of the Plan shall be determined by the Board, which determination shall be final and conclusive.

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10.7. Limitations on Exercise of Option.

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part, prior to the date the Plan is approved by the stockholders of the Company as provided herein, or after ten years following the date upon which the Option is granted, or after the occurrence of an event referred to in Section 17 hereof which results in termination of the Option.

10.8. Method of Exercise.

An Option that is exercisable may be exercised by the Grantee's delivery to the Company of written notice of exercise on any business day, at the Company's principal office, addressed to the attention of the Board. Such notice shall specify the number of shares of Stock with respect to which the Option is being exercised and shall be accompanied by payment in full of the Option Price of the shares for which the Option is being exercised. The minimum number of shares of Stock with respect to which an Option may be exercised, in whole or in part, at any time shall be the lesser of (i) 100 shares or such lesser number set forth in the applicable Award Agreement and (ii) the maximum number of shares available for purchase under the Option at the time of exercise. Payment of the Option Price for the shares purchased pursuant to the exercise of an Option shall be made (i) in cash or in cash equivalents; (ii) through the tender to the Company of shares of Stock, which shares, if acquired from the Company, shall have been held for at least six months and which shall be valued, for purposes of determining the extent to which the Option Price has been paid thereby, at their Fair Market Value on the date of exercise; or (iii) by a combination of the methods described in (i) and (ii). The Board may provide, by inclusion of appropriate language in an Award Agreement, that payment in full of the Option Price need not accompany the written notice of exercise provided that the notice of exercise directs that the certificate or certificates for the shares of Stock for which the Option is exercised be delivered to a licensed broker acceptable to the Company as the agent for the individual exercising the Option and, at the time such certificate or certificates are delivered, the broker tenders to the

Company cash (or cash equivalents acceptable to the Company) equal to the Option Price for the shares of Stock purchased pursuant to the exercise of the Option plus the amount (if any) of federal and/or other taxes which the Company may in its judgment, be required to withhold with respect to the exercise of the Option. An attempt to exercise any Option granted hereunder other than as set forth above shall be invalid and of no force and effect. Unless otherwise stated in the applicable Award Agreement, an individual holding or exercising an Option shall have none of the rights of a stockholder (for example, the right to receive cash or dividend payments or distributions attributable to the subject shares of Stock or to direct the voting of the subject shares of Stock) until the shares of Stock covered thereby are fully paid and issued to such individual. Except as provided in Section 17 hereof, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

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10.9. Delivery of Stock Certificates.

Promptly after the exercise of an Option by a Grantee and the payment in full of the Option Price, such Grantee shall be entitled to the issuance of a stock certificate or certificates evidencing his or her ownership of the shares of Stock subject to the Option.

11. TRANSFERABILITY OF OPTIONS

11.1. General Rule.

Except as provided in Section 11.2, during the lifetime of a Grantee, only the Grantee (or, in the event of legal incapacity or incompetency, the Grantee's guardian or legal representative) may exercise an Option. Except as provided in Section 11.2, no Option shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution.

11.2. Family Transfers.

If authorized in the applicable Award Agreement, a Grantee may transfer all or part of an Option that is not an Incentive Stock Option to (i) any Immediate Family Member, (ii) a trust or trusts for the exclusive benefit of any Immediate Family Member, or (iii) a partnership or limited liability company in which

Immediate Family Members are the only partners or members, provided that (x) there may be no consideration for any such transfer, and (y) subsequent transfers of transferred Options are prohibited except those in accordance with this Section 11.2 or by will or the laws of descent and distribution. Following transfer, any such Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Section 11.2 hereof the term "Grantee" shall be deemed to refer to the transferee. The events of termination of the employment or other relationship of Section 10.4 hereof shall continue to be applied with respect to the original Grantee, following which the Option shall be exercisable by the transferee only to the extent and for the periods specified in Sections 10.4, 10.5 or 10.6.

12. RESTRICTED STOCK

12.1. Grant of Restricted Stock or Restricted Stock Units.

The Board may from time to time grant Restricted Stock or Restricted Stock Units to persons eligible to receive Grants under Section 6 hereof, subject to such restrictions, conditions and other terms as the Board may determine.

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12.2. Restrictions.

At the time a Grant of Restricted Stock or Restricted Stock Units is made, the Board shall establish a period of time (the "Restricted Period") applicable to such Restricted Stock or Restricted Stock Units. Each Grant of Restricted Stock or Restricted Stock Units may be subject to a different Restricted Period. The Board may, in its sole discretion, at the time a Grant of Restricted Stock or Restricted Stock Units is made, prescribe restrictions in addition to or other than the expiration of the Restricted Period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the Restricted Stock or Restricted Stock Units. Such performance objectives shall be established in writing by the Board by not later than the ninetieth day of the period of service to which such performance objectives relate and while the outcome is substantially uncertain. Performance objectives may be based on Stock price, market share, sales, earnings per share, return on equity or costs. Performance objectives may include positive results,

maintaining the status quo or limiting economic losses. Subject to the fourth sentence of this Section 12.2, the Board also may, in its sole discretion, shorten or terminate the Restricted Period or waive any other restrictions applicable to all or a portion of the Restricted Stock or Restricted Stock Units. Neither Restricted Stock nor Restricted Stock Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restricted Period or prior to the satisfaction of any other restrictions prescribed by the Board with respect to such Restricted Stock or Restricted Stock Units.

12.3. Restricted Stock Certificates.

The Company shall issue, in the name of each Grantee to whom Restricted Stock has been granted, stock certificates representing the total number of shares of Restricted Stock granted to the Grantee, as soon as reasonably practicable after the Grant Date. The Secretary of the Company shall hold such certificates for the Grantee's benefit until such time as the Restricted Stock is forfeited to the Company, or the restrictions lapse.

12.4. Rights of Holders of Restricted Stock.

Unless the Board otherwise provides in an Award Agreement, holders of Restricted Stock shall have the right to vote such Stock and the right to receive any dividends declared or paid with respect to such Stock. The Board may provide that any dividends paid on Restricted Stock must be reinvested in shares of Stock, which may or may not be subject to the same vesting conditions and restrictions applicable to such Restricted Stock. All distributions, if any, received by a Grantee with respect to Restricted Stock as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original Grant.

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12.5. Rights of Holders of Restricted Stock Units.

Unless the Board otherwise provides in an Award Agreement, holders of Restricted Stock Units shall have no rights as stockholders of the Company. The Board may provide in an Award Agreement evidencing a Grant of Restricted Stock Units that the holder of such Restricted Stock Units shall be entitled to receive, upon the Company's payment of a cash dividend on its outstanding Stock, a cash payment for each Restricted Stock Unit held equal to the per-share

dividend paid on the Stock. Such Award Agreement may also provide that such cash payment will be deemed reinvested in additional Restricted Stock Units at a price per unit equal to the Fair Market Value of a share of Stock on the date that such dividend is paid.

12.6. Termination of Employment or Other Relationship for a Reason Other than Death or Disability.

Upon the termination of a Grantee's employment or other relationship with the Company and its Subsidiaries, in either case other than, in the case of individuals, by reason of death or "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code), any shares of Restricted Stock or Restricted Stock Units held by such Grantee that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited, unless the Board, in its discretion, determines otherwise. Upon forfeiture of Restricted Stock or Restricted Stock Units, the Grantee shall have no further rights with respect to such Grant, including but not limited to any right to vote Restricted Stock or any right to receive dividends with respect to shares of Restricted Stock or Restricted Stock Units. Whether a leave of absence or leave on military or government service shall constitute a termination of employment or other relationship for purposes of the Plan shall be determined by the Board, which determination shall be final and conclusive. For purposes of the Plan, a termination of employment, service or other relationship shall not be deemed to occur if the Grantee is immediately thereafter employed with the Company or any other Service Provider, or is engaged as a Service Provider or an Outside Director of the Company. Whether a termination of a Grantee's employment or other relationship with the Company and its Subsidiaries shall have occurred shall be determined by the Board, which determination shall be final and conclusive.

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12.7. Rights in the Event of Death.

If a Grantee dies while employed by the Company or a Service Provider, or while serving as a Service Provider, all Restricted Stock or Restricted Stock Units granted to such Grantee shall fully vest on the date of death unless the Board provided otherwise in the Award Agreement relating to such Restricted Stock or Restricted Stock Units. Upon such vesting, the shares of Stock represented thereby shall be deliverable in accordance with the terms of the Plan to the executors, administrators, legatees or distributees of the Grantee's

estate.

12.8. Rights in the Event of Disability.

If a Grantee's employment or other relationship with the Company or a Service Provider, or while serving as a Service Provider, is terminated by reason of the "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) of such Grantee, such Grantee's Restricted Stock or Restricted Stock Units shall continue to vest in accordance with the applicable Award Agreement for a period of one year after such termination of employment or service (or such longer period as the Board, in its discretion, may determine prior to the expiration of such one-year period), subject to the earlier forfeiture of such Restricted Stock or Restricted Stock Units in accordance with the terms of the applicable Award Agreement. Whether a termination of employment or service is to be considered by reason of "permanent and total disability" for purposes of the Plan shall be determined by the Board, which determination shall be final and conclusive.

12.9. Delivery of Stock and Payment Therefor.

Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Board, the restrictions applicable to shares of Restricted Stock or Restricted Stock Units shall lapse, and, upon payment by the Grantee to the Company, in cash or by check, of the greater of (i) the aggregate par value of the shares of Stock represented by such Restricted Stock or Restricted Stock Units or (ii) the purchase price, if any, specified in the Award Agreement relating to such Restricted Stock or Restricted Stock Units, a stock certificate for such shares shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be.

13. STOCK APPRECIATION RIGHTS

13.1. Grant of Stock Appreciation Rights.

The Board may from time to time grant SARs to persons eligible to receive grants under Section 6 hereof, subject to the provisions of this Section and to such restrictions, conditions and other terms as the Board may determine.

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13.2. Nature of a Stock Appreciation Right.

An SAR shall confer on the Grantee a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR as determined by the Board. Unless the Board provides otherwise in the Award Agreement, the grant price of an SAR shall not be less than the Fair Market Value of a share of Stock on the date of grant.

13.3. Terms and Conditions Governing SARs.

The Board shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which an SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which and the circumstances under which an SAR shall cease to be exercisable, the method of exercise, method of settlement, form of consideration payable in settlement, whether or not an SAR shall be in tandem or in combination with any other Grant, and any other terms and conditions of any SAR.

14. PARACHUTE LIMITATIONS

Notwithstanding any other provision of this Plan or of any other agreement, contract, or understanding heretofore or hereafter entered into by a Grantee with the Company or any Subsidiary, except an agreement, contract, or understanding hereafter entered into that expressly modifies or excludes application of this paragraph (an "Other Agreement"), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Grantee (including groups or classes of participants or beneficiaries of which the Grantee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Grantee (a "Benefit Arrangement"), if the Grantee is a "disqualified individual," as defined in Section 280G(c) of the Code, any Option, Restricted Stock, Restricted Stock Unit or Stock Appreciation Right held by that Grantee and any right to receive any payment or other benefit under this Plan shall not become exercisable or vested (i) to the extent that such right to exercise, vesting, payment, or benefit, taking into account all other rights, payments, or benefits to or for the Grantee under this Plan, all Other Agreements, and all Benefit Arrangements, would cause any payment or benefit to the Grantee under this Plan to be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Code as then in effect (a "Parachute Payment") and (ii) if, as a result of receiving a Parachute Payment, the aggregate after-tax amounts received by the Grantee from the Company under this Plan, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Grantee without causing any such payment or

benefit to be considered a Parachute Payment. In the event that the receipt of any such right to exercise, vesting, payment, or benefit under this Plan, in conjunction with all other rights, payments, or benefits to or for the Grantee under any Other Agreement or any Benefit Arrangement would cause the Grantee to be considered to have received a Parachute Payment under this Plan that would have the effect of decreasing the after-tax amount received by the Grantee as described in clause (ii) of the preceding sentence, then the Grantee shall have the right, in the Grantee's sole discretion, to designate those rights, payments, or benefits under this Plan, any Other Agreements, and any Benefit Arrangements that should be reduced or eliminated so as to avoid having the payment or benefit to the Grantee under this Plan be deemed to be a Parachute Payment.

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15. REQUIREMENTS OF LAW

15.1. General.

The Company shall not be required to sell or issue any shares of Stock under any Grant if the sale or issuance of such shares would constitute a violation by the Grantee, any other person exercising a right emanating from such Grant, or the Company of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the listing, registration or qualification of any shares subject to a Grant upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares hereunder, no shares of Stock may be issued or sold to the Grantee or any other person exercising a right emanating from such Grant unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination of the Grant. Specifically, in connection with the Securities Act, upon the exercise of any Option or any SAR that may be settled in shares of Stock or the delivery of any shares of Restricted Stock or Stock underlying Restricted Stock Units, unless a registration statement under such Act is in effect with respect to the shares of Stock covered by such Grant, the Company shall not be required to sell or issue such shares unless the Board has received evidence satisfactory to it that the Grantee or any other person exercising a right emanating from such Grant may acquire such shares pursuant to

an exemption from registration under the Securities Act. Any determination in this connection by the Board shall be final, binding, and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or an SAR or the issuance of shares of Stock pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option (or SAR that may be settled in shares of Stock) shall not be exercisable until the shares of Stock covered by such Option (or SAR) are registered or are exempt from registration, the exercise of such Option (or SAR) under circumstances in which the laws of such jurisdiction apply shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

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15.2. Rule 16b-3.

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Grants pursuant to the Plan and the exercise of Options and SARs granted hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Board does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

16. AMENDMENT AND TERMINATION OF THE PLAN

The Board may, at any time and from time to time, amend, suspend, or terminate the Plan as to any shares of Stock as to which Grants have not been made; provided, however, that the Board shall not, without approval of the Company's stockholders, amend the Plan such that it does not comply with the Code. The Company may retain the right in an Award Agreement to cause a forfeiture of the gain realized by a Grantee on account of the Grantee taking actions in "competition with the Company," as defined in the applicable Award Agreement. Furthermore, the Company may annul a Grant if the Grantee is an

employee of the Company or an affiliate and is terminated "for cause" as defined in the applicable Award Agreement. Except as permitted under this Section 16 or Section 17 hereof, no amendment, suspension, or termination of the Plan shall, without the consent of the Grantee, alter or impair rights or obligations under any Grant theretofore awarded under the Plan.

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17. EFFECT OF CHANGES IN CAPITALIZATION

17.1. Changes in Stock.

If the number of outstanding shares of Stock is increased or decreased or the shares of Stock are changed into or exchanged for a different number or kind of shares or other securities of the Company on account of any recapitalization, reclassification, stock split, reverse split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Company occurring after the Effective Date, the number and kinds of shares for which Grants of Options, Restricted Stock, Restricted Stock Units and Stock Appreciation Rights may be made under the Plan shall be adjusted proportionately and accordingly by the Company. In addition, the number and kind of shares for which Grants are outstanding shall be adjusted proportionately and accordingly so that the proportionate interest of the Grantee immediately following such event shall, to the extent practicable, be the same as immediately before such event. Any such adjustment in outstanding Options shall not change the aggregate Option Price payable with respect to shares that are subject to the unexercised portion of an Option outstanding but shall include a corresponding proportionate adjustment in the Option Price per share. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration.

17.2. Reorganization in Which the Company Is the Surviving Entity and in Which No Change of Control Occurs.

Subject to Section 17.3 hereof, if the Company shall be the surviving entity in any reorganization, merger, or consolidation of the Company with one or more other entities in which no Change in Control occurs, any Option(or SAR) theretofore granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to such Option (or SAR) would have been entitled immediately following such

reorganization, merger, or consolidation, with a corresponding proportionate adjustment of the Option Price (or SAR grant price) per share so that the aggregate Option Price (or grant price) thereafter shall be the same as the aggregate Option Price (or grant price) of the shares remaining subject to the Option (or SAR) immediately prior to such reorganization, merger, or consolidation. Subject to any contrary language in an Award Agreement evidencing a Grant of Restricted Stock, any restrictions applicable to such Restricted Stock shall apply as well to any replacement shares received by the Grantee as a result of the reorganization, merger or consolidation.

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17.3. Reorganization, Sale of Assets or Sale of Stock Which Involves a Change of Control.

Subject to the exceptions set forth in the last sentence of this Section 17.3, (i) upon the occurrence of a Change of Control, all outstanding shares of Restricted Stock and Restricted Stock Units shall be deemed to have vested, and all restrictions and conditions applicable to such shares of Restricted Stock and Restricted Stock Units shall be deemed to have lapsed, immediately prior to the occurrence of such Change of Control, and (ii) fifteen days prior to the scheduled consummation of a Change of Control, all Options and SARs outstanding hereunder shall become immediately exercisable and shall remain exercisable for a period of fifteen days. Any exercise of an Option or SAR during such fifteen-day period shall be conditioned upon the consummation of the event and shall be effective only immediately before the consummation of the event. Upon consummation of any Change of Control, the Plan and all outstanding but unexercised Options and SARs shall terminate. The Board shall send written notice of an event that will result in such a termination to all individuals who hold Options or SARs not later than the time at which the Company gives notice thereof to its stockholders. This Section 17.3 shall not apply to any Change of Control to the extent that (A) provision is made in writing in connection with such Change of Control for the continuation of the Plan or the assumption of the Options, SARs, Restricted Stock and Restricted Stock Units theretofore granted, or for the substitution for such Options, SARs, Restricted Stock and Restricted Stock Units of new options, SARs, restricted stock and restricted stock units covering the stock of a successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kinds of shares or units and exercise prices, in which event the Plan and Options, SARs, Restricted Stock and Restricted Stock Units theretofore granted shall continue in the manner and under the terms so provided or (B) a majority of the full Board determines that

such Change of Control shall not trigger application of the provisions of this Section 17.3 subject to Section 25.

17.4. Adjustments.

Adjustments under this Section 17 related to shares of Stock or securities of the Company shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

17.5. No Limitations on Company.

The making of Grants pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

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18. DISCLAIMER OF RIGHTS

No provision in the Plan or in any Grant or Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Company or any affiliate, or to interfere in any way with any contractual or other right or authority of the Company or Service Provider either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Company. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, no Grant awarded under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a director, officer, consultant or employee of the Company. The obligation of the Company to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any participant or beneficiary under the terms of the Plan. No Grantee shall have

any of the rights of a stockholder with respect to the shares of Stock subject to an Option or SAR except to the extent the certificates for such shares of Stock shall have been issued upon the exercise of the Option or SAR.

19. NONEXCLUSIVITY OF THE PLAN

Neither the adoption of the Plan nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Board in its discretion determines desirable, including, without limitation, the granting of stock options otherwise than under the Plan.

20. WITHHOLDING TAXES

The Company or a Subsidiary, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any Federal, state, or local taxes of any kind required by law to be withheld with respect to the vesting of or other lapse of restrictions applicable to Restricted Stock or Restricted Stock Units or upon the exercise of an Option or SAR. At the time of such vesting, lapse, or exercise, the Grantee shall pay to the Company or the Subsidiary, as the case may be, any amount that the Company or the Subsidiary may reasonably determine to be necessary to satisfy such withholding obligation. Subject to the prior approval of the Company or the Subsidiary, which may be withheld by the Company or the Subsidiary, as the case may be, in its sole discretion, the Grantee may elect to satisfy such obligations, in whole or in part, (i) by causing the Company or the Subsidiary to withhold shares of Stock otherwise issuable to the Grantee or (ii) by delivering to the Company or the Subsidiary shares of Stock already owned by the Grantee. The shares of Stock so delivered or withheld shall have an aggregate Fair Market Value equal to such withholding obligations. The Fair Market Value of the shares of Stock used to satisfy such withholding obligation shall be determined by the Company or the Subsidiary as of the date that the amount of tax to be withheld is to be determined. A Grantee who has made an election pursuant to this Section 20 may satisfy his or her withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

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21. CAPTIONS

The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

22. OTHER PROVISIONS

Each Grant awarded under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion.

23. NUMBER AND GENDER

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

24. SEVERABILITY

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

25. POOLING

Notwithstanding anything in the Plan to the contrary, if any right under or feature of the Plan would cause to be ineligible for pooling of interest accounting a transaction that would, but for the right or feature hereunder, be eligible for such accounting treatment, the Board may modify or adjust the right or feature so that the transaction will be eligible for pooling of interest accounting. Such modification or adjustment may include payment of cash or issuance to a Grantee of Stock having a Fair Market Value equal to the cash value of such right or feature.

26. GOVERNING LAW

The validity and construction of this Plan and the instruments evidencing the Grants awarded hereunder shall be governed by the laws of the State of Delaware.

* * *

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The Plan was duly adopted and approved by the Board of Directors of the Company as of the ___ day of _____, 1998.

/S/

The Plan was duly approved by the stockholders of the Company on the day of _____, 1998.

/S/

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EXHIBIT 21

Subsidiaries of the Registrant

Name	State of Formation
-----	-----
Boland & Madigan, Inc.	Delaware
Fredrick Schneiders Research, Inc.	Delaware
G. Cassidy & Associates, Inc.	Delaware
Powell Tate, a Cassidy Company	Delaware

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Exhibit 23.2

We consent to the reference to our firm under the caption "Experts" and to the use of our report on the financial statements of The Cassidy Companies, Inc. dated March 22, 1998 (except Notes 18 and 19, as to which the date is July 15, 1998) and our report on the financial statements of Pickholz Tweedy Cowan, LLC dated June 19, 1998 in the Registration Statement (Form S-1 No. 33-_____) and the related Prospectus of The Cassidy Companies, Inc. for the registration of _____ shares of its common stock.

/s/ Ernst & Young LLP

Washington, D.C.
July 20, 1998

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Exhibit 99.1

Consent of Future Director

I, John Silber, resident at 132 Carlton St. Brookline, Ma., do hereby consent to being named a future director of The Cassidy Companies, Inc. (the "Company"), effective immediately after the closing of the Company's initial public offering, in the Company's registration statement initially filed with the United States Securities and Exchange Commission on Form S-1 (registration number 333-_____).

/s/ John Silber

Date: July 16, 1998

John Silber

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-----END PRIVACY-ENHANCED MESSAGE-----